Adventist HealthCare

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VIA EMAIL AND FEDEX

May 29, 2009

Paul E. Parker
Chief, Certificate Of Need
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, MD 21215

RE: Completeness Review Response
Clarksburg Community Hospital
Matter No. 09-15-2294

Dear Mr. Parker:

With this letter we are submitting the required ten (10) copies of our response to the Completeness Questions regarding the above-referenced project, pursuant to the letter dated April 24, 2009.

I hereby certify that a copy of this response has also been forwarded to the appropriate local health planning agency, as well as other applicants and those persons designated by the Health Facilities Coordination Office, as noted below.

Sincerely,

Christopher C. Hall
Senior Director Strategic Planning

cc: Ulder J. Tillman, M.D., MPH, Montgomery Co. Health Dept.
Ken DeStefano, Esq.
Howard Sollins, Esq.

1. Please complete the attached spreadsheet profiling rooms and bed capacity for the proposed project.

Applicant Response:

Please find a complete spreadsheet profiling rooms and bed capacity at **Attachment 1**.

2. The response to Item 10.B. states that the project has received all necessary State and local land use approvals. However, during the site visit, additional approvals that would be needed were identified. The response to questions 16.C. states that a Washington Suburban Sanitary Commission ("WSSC") application, plan and profiles will be required for the Regulatory Systems Group Process, which will take approximately six months from initial submission to permitting. The response to questions 16.C. also identifies a number of approvals that will be required from Montgomery County for the storm drainage and storm water management. Please provide a schedule of all approvals (including permits) that will be required prior to the commencement of hospital building construction.

Applicant Response:

Adventist HealthCare Inc., (AHC) has received all necessary land-use approvals for the Clarksburg Community Hospital (CCH) site. As is detailed below, what remains to be approved are the final plans and profiles for the construction of the hospital.

The Clarksburg Master Plan, approved by the Montgomery County Council in June 1994, recommends this site as part of a large, mixed-use project with up to 2.3 million square feet of employment use. Consistent with those recommendations, AHC sought and the County Council rezoned the subject property (also referred to as Cabin Branch) to the MXPD (Mixed Use Planned Development) zone pursuant to Resolution No. 15-326, adopted on September 9, 2003. As part of the approval of the MXPD zone, the County Council also approved a Development Plan for the subject property. This Plan allows for 2,300,000 square feet of employment uses, which allows for health care facilities. Subsequent to approval of the MXPD zoning and approval of the Development Plan, the Montgomery County Planning Board approved a Preliminary Plan of Subdivision for the property by Opinion mailed June 22, 2004. That Preliminary Plan approved the first phase of development which included 1,538,000 square feet of commercial space, including that required for the hospital and related medical facilities. (The second phase, including an additional 886,000 square feet of commercial space, was later approved on April 3, 2008).

Through its approval of the Preliminary Plan, the Planning Board has confirmed that the project conforms to the Clarksburg Master Plan that public facilities will be adequate to serve the project that the proposed uses are permitted, that environmental requirements will be met and that water and sewer service for the project is available.

As the first step towards implementing the zoning and land use approvals, AHC and the other property owners at Cabin Branch sought and obtained Montgomery County Planning Board

approval of the Site Plan for the infrastructure. Approval of the Infrastructure Site Plan also included approval of the final Water Quality Plan for the site and no Special Exception or further zoning approval is required. The approval of the MXPD zoning, the Development Plan and the Preliminary Plan of Subdivision constitute the primary land use approvals and allow this project to proceed.

AHC now has initiated detailed design approvals through the Site Plan process. This includes final configuration of the parking and loading areas, landscaping, lighting and other specific design features. This application is pending and approval is anticipated later this year.

Since purchasing the property in 2002, AHC has proceeded diligently and continuously to obtain the necessary zoning and land use approvals from every state and county agency. As such, the project is relatively close to the point in time when applications for the relevant building permits can be filed. Unlike other potential hospital sites in the I-270 corridor without any of these approvals, this ensures that CCH can proceed upon approval of the CON and will not face a lengthy and uncertain land use review process. More specifically, the existing approvals for CCH that other sites lack began with a County Master Plan (the Clarksburg Master Plan, June 1994) that allowed a hospital as part of the employment use on the property. Since then, AHC has obtained the following:

Approved	Dates
MXPD Zoning	2002 – 2003
Development Plan approval	2002 – 2003
Preliminary Water Quality Plan approval	2003 – 2004
Preliminary Plan Phase 1	2003 – 2004
Preliminary Plan Phase 2	2004 – 2008
Infrastructure Site Plan	2004 – 2007
Final Water Quality Plan	2004 – 2008
Outfall sewer approval and construction	2003 – 2008
Final Detailed Site Plan	2009

Item 16C concerns specific features of project construction that occur for any construction project. These actions occur subsequent to the land use approval process. As reflected in the Application, these include final plans and profiles for the water and sewer lines and storm drains to be constructed on the property. These remaining approvals are in the nature of

building permit type approvals that are obtained as a matter of course in connection with building permit approvals. The underlying land use approvals, however, already incorporate the necessary approvals by the Washington Suburban Sanitary Commission and all relevant state and county agencies for construction of the project. The anticipated schedule for such building permits and approvals is listed below.

Hospital Land Bay Improvements	981d	Mon 3/2/09
Site Plan/ Landscape Plan	353d	Wed 4/1/09
Reviewed/ Approved	220d	Mon 6/1/09
Permitted	90d	Mon 4/5/10
Issue Opinion by MNCP&PC	3mo	Mon 4/5/10
Prepare Signature Set Site Plan	2w	Mon 6/28/10
Review Signature Set Site Plan by MNCP&PC	3w	Mon 7/12/10
Sign Signature Set Site Plan by MNCP&PC	1w	Mon 8/2/10
Projected CON Approval	13mo	Wed 4/1/09
Record Plat	75d	Wed 4/7/10
Reviewed/ Approved	65d	Wed 4/7/10
Recorded	10d	Wed 7/7/10
Sediment Control/Stormwater Management	532d	Mon 4/5/10
On-Site Storm Drain and Paving	395d	Wed 5/19/10
Reviewed/ Approved	163d	Wed 5/19/10
Permitted	232d	Mon 1/3/11
Final Water Quality& Recharge Plan (for Construction)	235d	Mon 3/2/09
Reviewed and Approved	235d	Mon 3/2/09
On-Site Water and Sewer	320d	Wed 6/16/10
Reviewed/ Approved	93d	Wed 6/16/10
Permitted	3d	Mon 10/25/10
As-built		

3. When it is projected that the site infrastructure improvements (roads, sewer, other utilities) necessary for initiation of the construction of the proposed hospital will be completed? Has this type of work already begun on the site?

Applicant Response:

Adventist HealthCare, Inc., is one of several entities that own certain parcels of land located in Clarksburg, Maryland which will be subdivided and developed into residential and commercial projects collectively known as the "Cabin Branch Development." These property owners have agreed to construct certain joint infrastructure improvements, required by the Montgomery County Planning Board, including the moving, excavation, removal, filling, stockpiling and mass grading of dirt within the entire Cabin Branch Development pursuant to a certain Joint Development Agreement. The schedule below outlines the site work necessary for the entire Cabin Branch Community to be developed.

Cabin Branch Infrastructure Improvements	508d	Mon 6/1/09
Pond 11 (Sediment and Eroision Control)	246d	Wed 11/4/09
Reviewed/ Approved	1mo	Wed 11/4/09
Permitted	4mo	Wed 12/2/09
Installed	7mo	Thu 4/1/10
Reforestation	140d	Fri 10/1/10
Permitted	1mo	Fri 10/1/10
Installed	6mo	Fri 10/29/10
Route 121	240d	Mon 5/3/10
Reviewed/ Approved	1mo	Mon 5/3/10
Permitted	4mo	Mon 5/31/10
Installed	7mo	Mon 9/20/10

Golden Eye Grade Establishment Plan	80d	Mon 6/1/09
Reviewed/ Approved	4mo	Mon 6/1/09
Golden Eye St Storm Drain & Paving Plan(w/ Street Tree & Lighting Plan)	428d	Mon 9/21/09
Reviewed/Approved	4mo	Mon 9/21/09
Permitted - 6 months max	6mo	Mon 1/11/10
Installed	150d	Thu 10/14/10
Water and Sewer Contracts	406d	Mon 6/1/09
D Contract	406d	Mon 6/1/09
Reviewed/Approved	120d	Mon 6/1/09
Permitted - 6 months max	6mo	Mon 11/16/09
Installed	206d	Mon 3/8/10
H Contract	395d	Mon 6/1/09
Reviewed/Approved	240d	Mon 6/1/09
Permitted - 6 months max	6mo	Mon 5/3/10
Installed	155d	Mon 5/3/10

Site Construction	619d	Wed 7/21/10
Install Tree Save Devices & Precon. Meeting	1w	Wed 3/2/11
Install Sediment Controls & Approval by MCDPS Basin 12	8w	Wed 3/9/11
Rough Grade Site	6w	Wed 5/4/11
Install On-Site Water & Sewer by Contractor	4w	Wed 6/15/11
Install Storm Drain	4w	Wed 7/13/11
"Install Public Utilities (Gas, Elec., Tele.)"	4w	Wed 8/10/11
Install Curb & Gutter	3w	Wed 9/7/11
Install Base Paving	3w	Wed 9/28/11
Install Final Paving	3w	Wed 10/19/11
Convert to SWM Facility from Sediment Basin	6w	Wed 11/9/11
Final Site Stabilization	3w	Wed 12/21/11
Remove Sediment Control Devices	2w	Wed 1/11/12

4. Please provide a projection of the timeline for development of this project assuming that a CON is issued for the project in September 2009. Under such an assumption:
    a. When would it be projected that the project expenditure would be obligated?
    b. When would it be projected that construction of the hospital would be initiated?
    c. When would it be projected that construction of the hospital would be completed? And
    d. When would it be projected that the hospital would open?

Applicant Response:

The CON application assumed the CON would be approved 4/1/10 to 4/30/10, the construction would start 4/1/11 to 4/30/11, the construction would be substantially complete 12/1/12 to 12/31/12 and the hospital would be opened on or about 1/1/2013. The CON application assumed the FHA-insured tax exempt bonds would be issued during February/March 2011.

Our intent is to adhere to the original schedule regardless of when the CON is issued, however, if the CON were needed to be expedited and issued in September 2009, hypothetically, this timetable could be modified as follows:

a) FHA-insured tax exempt bonds could be issued during October/November 2010
b) The construction could start 12/1/10 to 12/31/10
c) The construction could be substantially complete 6/1/12 to 6/30/12
d) The hospital could open on or about 7/1/12

5. The response to Item 10.C.(1) indicates that title to the site is held by Adventist HealthCare, Inc. and the response to question 10.C.(3) indicates that the site will be leased to Clarksburg Community Hospital, Inc. ("CCH") at a cost of $500,000 per year with the expiration date and renew ability of the lease to be as required by HUD for FHA insurance. Please provide a detailed explanation of the purchase of the land including price, portion allocated to the proposed Hospital (the incomplete note on page 11 appears to specify a value of $5,000,000), and HUD's role in the project with respect to lease terms.

Applicant Response:

The land was purchased in 2002 and 2004 by AHC. Approximately 170 acres of land was purchased for contemplated multiple uses (an acute care hospital, a senior living facility, medical office buildings, parking garages and senior housing). AHC has worked with the Montgomery County to properly plan for these uses. The cost basis of the 170 acres as recorded in AHC's balance sheet at December 31, 2008 is approximately $37Million; $5 Million of this has been assigned to the hospital use.

Because the land is owned by AHC and due to the very significant transfer taxes assessed by Montgomery County, it has been deemed prudent for AHC to lease the land to CCH. The $500,000 land rent has been determined to be appropriate after consultation with AHC's real estate consultant. The term of the land lease will be whatever is required by HUD for the FHA insurance since FHA insurance is mortgage related and the land will be part of the security required by HUD. Based on information from our advisors, the land lease will likely have a term of 50 years.

6. Regarding the response to Item 14, please provide the following clarifications and additional information:
    a. Describe all aspects of the proposed construction aimed at accommodating future expansion;
    b. Please confirm that the table on page 14 has transposed the square footage figures for the critical care unit and the medical/surgical unit on the second floor;
    c. The same table on page 14 indicates that the fourth floor will have more departmental gross square feet 918,189 DGSF) than the third floor (17,921 DGSF). Please explain or correct as necessary; and
    d. Account for the difference between the total gross square feet of 235,400 as reported on Chart 1 (page 7) and the total DGSF of 166,273 as reported on page 14 of Attachment 1.

Applicant Response:

a. The proposed construction is developed to accommodate a 100 bed acute care hospital. The support space (i.e., surgery, laboratory, ORs, emergency department and radiology) is sized to accommodate the 100 beds. If expansion is needed in the future, the layout of the space is done so in such a manner to allow new towers and support areas to be constructed adjacent to the current physical space.

b. Table on page 14 transposed the square footage figures for the critical care unit and the medical/surgical unit on the second floor. See **Attachment 2** for the corrected table.

c. Table on page 14 correctly indicates that the fourth floor has more departmental gross square feet (18,189 DGSF) than the third floor (17,921 DGSF) even though the floor perimeter and floor "footprint" are the same. The reason for the difference between departmental gross square feet is because the fourth floor contains an OB Suite as well as a smaller M/S Unit while the third floor M/S Unit encompasses the entire floor. Also, the fourth floor OB Suite has less common area space (by its operational nature the internal departmental space is more self contained and has limited access to the overall floor) than the third floor. The net effect is the fourth floor OB and M/S Unit has 268 DGSF more than the third floor M/S Unit.

d. Table on page 14 identifies the DGSF as 166,273 while the building total gross square feet is 235,400. DGSF space does not include space for intra departmental circulation, walls, structural space, building envelope and mechanical and electrical support space (shafts, closets, and chases) or space for vertical and building circulation. Vertical circulation space includes stairs and elevators. Building circulation space includes corridors that connect departments.

7. Regarding Chart 1 (page 8), please provide a complete breakdown of the $6,500,000 in site preparation costs. (The details provided on page 8 accounts for approximately $3,681,000 including $1,792,000 for jurisdictional hookup fees, which is accounted for separately from the $6,500,000 on Part II – Project Budget on page 9).

Applicant Response:

See **Attachment 3** for the corrected Chart 1.

8. Please identify the person(s) or organization(s) that prepared the project cost estimate and briefly describe the process used to prepare the estimate, including the basis for the inflation allowance estimate. When was the estimate included in the CON application prepared?

   Explain how the inflation estimate relates to other capital cost estimates with respect to the time period covered? What assumptions where made, in preparing the inflation estimate, with respect to the date on which construction of the project would commence and the date on which the project would be completed?

Applicant Response:

HBE Corporation, St. Louis, Missouri prepared the construction cost estimate from the project schematic design documents in April 2009. HBE is one of the nations top hospital design and build firms with over 1,000 hospital projects completed in the past 50 years. HBE used hospital costs from the company's regional historical project experience to compute the project estimates and included escalation for a May 2011 start of construction. Construction duration is projected at 20 months and project completion is scheduled for December 2012.

Inflation was estimated assuming 2.5% per year inflation for the building and fixed equipment costs (including A&E and site preparation) and the related contingency (approximately 7%). The building, fixed equipment and related contingency have been estimated by HBE. Inflation was estimated assuming 2.5% per for the 24 months from April 1, 2009 to the assumed start of construction. The total inflation allowance amounts to $6,957,000 as presented on the attached revised Project Budget, Line 1d. See **Attachment 4** for a revised project budget.

9. How would CCH characterize the level of project design and specification in place when the project budget estimate was developed?

Applicant Response:

Project design documents were at "schematic" design phase when the project budget was developed in April 2009.

10. Please account for the Architect/Engineering Fees on the designated line (A1a(5)) or explain why it has to be combined with the building costs.

Applicant Response:

Please find a revised project budget at **Attachment 4.** This item has been reclassified from line 1a(1) Building to line 1a(5) Architect/Engineering Fees in the amount of $8,900,000. Please see the attached revised Project Budget that includes this reclassification.

11. The label for line A.1.c.(2) has been changed from Minor Movable Equipment to Other Equipment. Please submit a revised Project Budget in the form specified in the application including the Lease Costs at the bottom of the form.

Applicant Response:

This item should have been labeled Minor Moveable Equipment. Please see the attached revised Project Budget (which includes the reclassification for inflation as described in response 8 above.) at **Attachment 4.**

12. Please explain how the contingency allowance of $9,502,000 was calculated.

Applicant Response:

The contingency of $9,502,000 (revised to $9,277,000) is comprised of approximately 7.1% of all the costs in the CON Project Budget except for the contingency cost and inflation.

13. Provide a more complete specification of the capital cost items included under Line A.1.c.(4), eliminating the "other" specification of $1,688,000 by specifically stating what is being purchased for this expenditure. Briefly explain why the specified items are most appropriately included as "Other" capital costs rather than included on other line items of the budget, such as Lines A.1.a.(1) through (6).

Applicant Response:

Please find a revised project budget at **Attachment 4.** The revised Project Budget reclassifies the $1,688,000, and also reclassifies $1,792,000 and a $69,000 inflation allowance rounding component to Line 1a(1) Building. The total reclassification amounts to a $3,411,000 increase in the Building Line 1a(1). Reconciliations to project cost details resulted in these reclassifications.

14. Please explain how the capitalized construction interest was calculated, including the assumed interest rate and assumed construction period.

Applicant Response:

The CON Project Budget presented capitalized interest at net. Please refer to Item 7 of the Assumptions (included at the bottom of Table 3) for the respective interest rate assumptions. The gross amount of interest expense and interest income funded through the bond issue as capitalized construction period interest are $18,964,000 ($159,135,000 Bond Issue, interest rate of 6.5% for 23 months) and $3,024,000, respectively. Please see the response to question 4 (above) for the assumed construction period.

15. Given that the primary source of financing for the project is proceeds from the sale of bonds, please explain why there is no interest income identified as a source of project funding.

Applicant Response:

Please see response to question 14 above.

16. Does Shady Grove Adventist Hospital currently have a written policy for the provision of information to the public concerning charges for its services? If so, please provide. If not, please briefly describe how the public is notified that such information is available for SGAH and describe how requests for charge information are fulfilled.

Applicant Response:

While the hospital does not specifically have a policy on the release of charge information to the public, information regarding billing and expenses is provided to the public on the Shady Grove Adventist Hospital web site:
http://www.adventisthealthcare.com/SGAH/patientsvisitors/patients/billing.aspx

Patient specific requests are handled when a patient is scheduled for an appointment or a procedure at the hospital. Insurance information is collected, verified, and if appropriate, an authorization is obtained. Patients are notified of their responsibility for co-pays and deductibles at time of admission or preregistration. At any time a patient may request specific information about the charges for their care. Patient Access staff can provide an estimate based on the type of procedure or service and the average rates over the past three months. Patients are notified that this is an estimate and that their experience may differ based on their own individual condition and the practice patterns of their physician.

17. Regarding the response to General Standard (2), Charity Care Policy, please explain how the percentages in the table at the top of page 15 were calculated.

Applicant Response:

The data is sourced from the HSCRC data repository for the 12 months ended December 31, 2008. Charity care, bad debt and total uncompensated care dollars are reported as a percentage of total charges to all patients in that period.

18. The response to General Standard (3), Quality of Care, did not include a response to subsection (b). While the Commission staff recognizes the proposed project is for construction of a new hospital, Adventist HealthCare, Inc. the sole member of Clarksburg Community Hospital, Inc., operates two hospitals in Maryland. Please respond to subsection (b) for each of these hospitals.

Applicant Response:

General Standard (3), Quality of Care, subsection (b) states:

> (b) A hospital with a measure value for a Quality Measure included in the most recent update of the Maryland Hospital Performance Evaluation Guide that falls within the bottom quartile of all hospital's reported performance measured for that Quality Measure and also falls below a 90% level of compliance with the Quality Measure, shall document each action it is taking to improve performance for that Quality Measure.

With respect to the most recent update of the Maryland Hospital Performance Evaluation Guide, neither WAH nor SGAH has ever had a measure value that falls within the bottom quartile of all hospitals' reported performance measured for that Quality Measure and also falls below a 90% level of compliance with the Quality Measure.

19. Are there Montgomery or Frederick County zip code areas whose residents are currently more than 30 minutes drive time from a general acute care hospital, under normal driving conditions? If so, please identify these areas. Please identify the source of travel time information used in responding to this question.

Applicant Response:

On July 21, 2000, the Commission published a Working Paper: Acute Inpatient OB services. In that paper, on p. 17, is the following paragraph:

> Retaining Commission review of new obstetric services assumes that the cost of establishing a new service may outweigh the benefits to increased access. By controlling market entry, and basing that entry on standards in the State Health Plan, it could be argued that this model of oversight limits choice to a smaller number of providers than would otherwise be the case. However, review of the SHP's geographic access standard shows that Maryland access to obstetrics services is currently well above the SHP minimum access criteria. Geographic access to obstetric services is evaluated through analysis of travel times. The SHP establishes a minimum travel time standard for obstetric services. This standard requires that obstetrics services be no more than 30 minutes one-way average travel time under normal driving conditions for at least 90 percent of the population. Currently, 98.5 percent of the female population between 15-44 years old is within 30 minutes of a hospital obstetrics unit in Maryland (see map in Appendix B).

We examined the map in Appendix B to see if any portion of the PSA for CCH was located more than 30 minutes one-way average travel time under moderate traffic to hospital obstetric services in 2000, and it did not appear to be the case.

Since 2000, of course, many changes have occurred in Montgomery and Frederick Counties, not the least of which has been the rapid growth in population, and the even more rapid growth in the number of automobiles traveling on local roadways. According to MAPQUEST, at least two communities in Montgomery County are located more than 30 minutes from either Shady Grove Adventist Hospital or Frederick Memorial Hospital: Martinsburg and Whites Ferry. There may be others. For that reason, the establishment of the CCH will improve access for some residents of Maryland who currently travel more than 30 minutes to the nearest Maryland acute care general hospital.

20. Responding to Project Review Standard (2), Identification of Bed Need and Addition of Beds, will require that the applicant address Section (c)(iii) or (iv) of this standard. Please explicitly identify whether the application is intended to demonstrate need for the MSGA beds proposed in the project under Section (c)(iii) or (iv) of this standard and identify the manner in which the application has satisfied the requirements of Section (c)(iii) or (iv).

Applicant Response:

Our intention in addressing the requirements of this standard is to address Section (c) (iii).

The minimum jurisdictional MSGA bed need projection for Montgomery County is currently exceeded by the 1,068 CON-approved and licensed beds.

The proposed 82 additional MSGA beds proposed for the CCH is less than the 146 needed MSGA beds to serve the PSA by 2017 as forecasted using the bed need projection methodology in Regulation .05 at 75% occupancy. (See **Attachment 5**).

21. Project Review Standard (5), Cost Effectiveness, requires the applicant to identify the primary objective of its proposed project and at least two alternative approaches that it considered for achieving the primary objectives. The second and third primary objectives CCH has identified are corollaries of the first objective rather than discrete project objectives themselves. The first objective identified, "To provide a cost-effective hospital facility to serve the residents of the I-270 corridor between Gaithersburg and Frederick" indicates that the applicant has determined, through cost effectiveness and analysis, that the existing hospitals serving this area are less cost-effective that a new hospital would be. This analysis, rather than being stated as an objective, needs to be presented as the primary response to this Standard. We believe that this would require a much more specific examination of the cost and effectiveness of changes that could occur at existing hospitals over time to address the needs of this geographic area than CCH has provided and a much more specific comparison with the cost of the effectiveness of meeting those needs with a new hospital than has been provided. We recommend that you rethink the primary objectives of this project from the standpoint of the population's needs. To the extent possible, quantify the level of effectiveness of each alternative in meeting these needs. Detail the capital and operational cost requirements for each alternative. Explain the basis for choosing the proposed project and rejecting alternative approaches to achieving the project objectives. In short, more directly address the requirements of this standard.

Applicant Response:

Adventist HealthCare has proposed a new hospital for Clarksburg to address the growing needs for hospital services among Maryland residents who live in the underserved communities located between Gaithersburg and Frederick. That is the primary objective of the project: to expand geographic access to this population.

There are several alternatives to the proposed CCH but for a variety of reasons they are significantly less optimal related to achieving our goal of expanding access to care in the upper Montgomery County and lower Frederick County region.

By definition, the expansion of any of the existing Maryland hospitals that currently meet that population's needs will be less effective than building a new hospital, if only because a new hospital will improve geographic access. That is why a comparative review assessing the cost and benefits of the two proposed applications for a sixth acute care general hospital in Montgomery County will determine which alternative is more cost-effective.

A) SGAH, which currently operates its MSGA services above the occupancy threshold for bed expansion, could propose another expansion project on its current site. This alternative was rejected at this time by AHC for several reasons.

First it would not improve geographic access for the communities to be served by the proposed CCH.

Second, the campus of SGAH, given both land use regulatory issues and parking capacity challenges is not as amenable to the construction of new hospital facilities as is the CCH site. There is an abundance of land ready for development of CCH, and many complimentary health care facilities and services.

Third, AHC intends to partner with other health care organizations to develop the CCH, in recognition of the many stakeholders who currently address the needs of the proposed service population, and may have an interest in helping to achieve the project's principle objective. This opportunity to create and sustain meaningful partnerships for the benefit of Maryland residents would not be possible if an expansion of SGAH were selected as an alternative, and would only delay the development of a needed and cost-effective hospital in a new location. As demonstrated in this application, and consistent with the State Health Plan, there is a need for additional hospital services and capacity to serve the growing populations of Montgomery and Frederick Counties, and the only question is when, how and by whom.

B) Maintain the status que and not proactively expand access to in-hospital services. This alternative was rejected because the status quo alternative would not address the primary objective either, and no other project including the proposed Holy Cross Hospital in Germantown is a cost effective alternative that is worthy of consideration.

Several features of the proposed CCH suggest that it will provide a cost-effective alternative to the existing Maryland hospitals serving the population of the future. First, it will operate in clear recognition of the existing capabilities and resources of Shady Grove Adventist Hospital and Frederick Memorial Hospital to provide specialty care, particularly for maternity services. Both hospitals operate Level III Perinatal Programs, and each will be available to support and care for those mothers and newborns who will need these advanced, sophisticated and expensive services in the future. It is clearly the intention of CCH to be self-sustaining, and not duplicate the resources of both of these hospitals.

Second, the Germantown Emergency Center (GEC) has proven to be a successful alternative to expanding the ED capacity at Shady Grove Adventist Hospital, and has already demonstrated its ability to improve patient access. The CCH ED will be there to complement the services of the GEC, and accept transfers of patients who require hospital admission.

In summary, AHC believes that comparing the cost and effectiveness of changes that could occur at existing hospitals over time, including Shady Grove Adventist Hospital, to address the needs of this geographic area as this Completeness Question has suggested is not possible because no existing hospital can change its location to improve geographic access as CCH would certainly do.

22. Regarding the response to Project Review Standard (6), Burden of Proof Regarding Need, submit a detailed description of the methodology and assumptions used to project 1,303 inpatient surgical cases and 3,183 outpatient surgical cases at the proposed hospital in 2015. More fully explain the basis for assuming that time per inpatient case will be 75% of the 2006 county average.

Applicant Response:

CCH has proposed four operating rooms for both inpatient and outpatient surgery. This is about the smallest hospital surgery that exists in either of the two metropolitan areas of Maryland. Anything smaller would have resulted in a high cost, and inefficient surgical service. In order to operate a hospital with any chance of achieving economies of scale, and recruiting a surgical staff large enough to support a community hospital, four operating rooms was the minimum recommended by our architect.

We have prepared a supplement to the original response to Project Review Standard (6) shown below which places CCH's forecast well below the average of Montgomery County hospitals with respect to surgical volumes and minutes/case. This is because CCH will be the smallest hospital in Montgomery County with only 100 beds, and cannot be expected to generate the types of surgical volumes that larger hospitals that both have been in operation far longer, and serve larger populations generate. It would have been unreasonable to forecast a greater amount of surgical services than are provided at any of the other Montgomery County hospitals given CCH's proposed location, and the availability of hospital surgical services in both Rockville and Frederick. We have assumed that surgeons who currently practice in the Rockville/Gaithersburg and Frederick areas will "follow their patients" to the CCH who would have otherwise come to them for both elective and outpatient surgery, and over time, the volumes of surgical cases will increase. Currently, there is no freestanding outpatient surgery center of any significance operating in the Clarksburg area.

We assumed that during the start-up phase CCH, it would not be successful in attracting the types of physicians who perform complex and time-consuming inpatient surgery in large numbers. The Hospital, by design, will not offer trauma or other tertiary care services that place high demands on the surgery department. For that reason, we discounted the average minutes per inpatient case in order to account for this fact. The acuity level of surgical patients is assumed to be below average as well.

Hospital	Inpatient Surgery			Outpatient Surgery		
	Total Cases	Total Minutes	Average Minutes/Case	Total Cases	Total Minutes	Average Minutes/Case
Montgomery General	2,185	200,227	92	4,311	230,428	53
Shady Grove Adventist	4,864	531,609	109	14,350	869,629	61
Suburban Hospital	5,317	669,665	126	7,594	582,419	77
Washington Adventist	4,889	563,191	115	7,085	281,915	40
Holy Cross Hospital	6,724	785,299	117	10,495	636,264	61
Clarksburg Community (2015)	1,303	112,384	86	3,183	187,797	59

23. Regarding the response to Project Review Standard (7), Construction Cost of Hospital Space, please provide the following clarifications:
    a. Please prepare a separate Marshall Valuation Service ("MVS") analysis (Attachment 7) for the basement, the penthouse, and the rest of the hospital building (floors 1 through 4);
    b. The multi-story multiplier of 0.5% for each story above three is equivalent to .005 per story or .01 for the fourth and fifth story not the 0.1 adjustment used. Please revise the calculation accordingly;
    c. Explain why the total cost of new construction before extraordinary adjustments, used to calculate the actual cost per square for comparison to the MVS cost, is $89,000,000 (Attachment 7) when the total in the project budget on page 9 of the Application if $99,246,000;
    d. Provide a detailed explanation of what is included in the $5,266,775 extraordinary adjustment for site preparation; and
    e. The cost of the canopies appears to be treated as an add-on adjustment in the calculation of the MVS cost per squire foot and as an extraordinary cost adjustment when calculating the actual cost per square foot. (This appears to be a double counting of the same cost.) This cost should either be treated as an add-on or an extraordinary adjustment.

Applicant Response:

a. A revised MVS analysis can be found at **Attachment 6** showing for the basement, the penthouse and the rest of the hospital building.
b. A revised MVS analysis can be found at **Attachment 6** showing a revised multi-story multiplier calculation.
c. The revised MVS analysis can be found at **Attachment 6** and the revised Project Budget can be found at **Attachment 4.**
d. A detailed breakout can be found at **Attachment 6.**
e. The canopies have been removed from the add-on adjustment in the calculation of the MVS.

24. Regarding the response to Project Review Standard (7), Inpatient Nursing Units, please detail how DGSF was defined in responding to t his standard and elsewhere in the application.

Applicant Response:

"Inpatient Unit Program Space per bed" means a measure of space in a given patient care nursing unit of a hospital, such as a general medical/surgical unit, which includes patient rooms, family space, and support space. Family spaces include visitor lounges, family toilets, and consult rooms. Support space includes staff work stations, nourishment areas, medication areas, physician work areas (dictation, picture archiving and communication system reading station, reporting, Health Insurance Portability and Accountability Act), clean supply areas, soiled utility areas, equipment/cart alcoves, equipment storage areas, exam rooms, environmental services, offices, staff lounges, staff toilets, and staff lockers. Patient rooms include anterooms, satellite work stations, and patient toilets/showers. Inpatient unit program space does not include space for intra departmental circulation, walls, structural space, building envelope and mechanical and electrical support space (shafts, closets, and chases) or space for vertical and building circulation. Vertical circulation space includes stairs and elevators. Building circulation space includes corridors that connect departments.

25. Regarding the response to Project Review Standard (11), Efficiency, please respond to the following:
    a. Describe the Hospital design elements that incorporate the concepts of the Green Guide for Healthcare and LEEDS certification and estimate the added cost and savings that will result;
    b. The response on page 26 states that the CCH design "reflects a Net to Gross ratio of building square footage that is below industry averages." Provide documentation of the industry averages;
    c. On page 26 it also states that "at 1,995 gross square feet per inpatient ("GSF/bed") hospital bed the hospital design is approximately at a median point for gross square feet for replacement hospitals constructed in its bed size range". Please explain how the 1,995 was calculated given that the Hospital is proposed to have 100 beds and elsewhere in the application it states that the size will be 235,400 gross square feet. Also explain the reference to replacement hospitals when this proposal is for a new hospital. Finally, please provide documentation that the 1,995 GSF/bed is the median for replacement hospitals; and
    d. Provide documentation that the project cost of $1,426,540 per bed, exclusive of inflation, interest and financing costs, is "very competitive."

Applicant Response:

a. The Clarksburg Community Hospital will comply with Montgomery County, Maryland Mandate to be LEED Certified. In addition, will comply with the AIA Guidelines for design and construction of health care facilities. In addition, our new hospital will use many of the recommendations of the Green Guide for health care published by the American Society of Healthcare Engineering.

The Green Guide for Health Care borrows the credit numbering scheme and credit outlines structure of the U.S. Green Building Council, of which Adventist Healthcare, Inc. is a member of.

The CCH will have a minimum reduction in water by 20% of the base line model. The CCH will provide alternate transportation (i.e. bicycle storage, fuel efficient vehicle parking, maximize open space, storm water quality and quantity control, reductions in heat island effect and light pollution).

The CCH will optimize energy performance with a reduction of 10.5% of the base line model.

The CCH will purchase Green power for approval of 1 LEED credit. Also, the hospital will be built with 10% of regional materials and 10% of recycled content. In addition, a construction IAQ Management Plan during construction will be implemented.

A minimum of 26 LEED points will be approved and Adventist Healthcare LEED professionals will monitor the design and construction of the new hospital.

The budgeted cost to implement these and other LEED elements is $1.8 million. These design and environmental items are implemented to significantly improve environmental quality through green planning, design, construction and operations and maintenance practices. The estimated energy saving cost will be 20% - 30% below the baseline energy model for the hospital.

b Documentation of the industry averages for Net to Gross Sq. Feet Ratios has been requested. Please refer to the cited publication with a table included below.

Analysis of Hospital Facility Growth, Scott Latimer, Hillary Gutknecht, Kimberly Hardesty, Kurt Salman Associates, 2009, pg. 8 of 17, Data Table 4. [Average Grossing Factors] **http://www.kurtsalmon.com/pub.php?id=30**

Table 4. Average Grossing Factors

	1987	2007
Inpatient Units	1.35 - 1.5	1.5 - 1.6
Interventional Units	1.45 - 1.5	1.6 -1.7
Non-Invasisve Diagnostic	1.3 - 1.5	1.55 - 1.65
Emergency	1.35 - 1.5	1.55 - 1.6
Administration	1.2 - 1.3	1.25 - 1.4
Support Services	1.2 - 1.35	1.2 - 1.4

c. For the purpose of explaining our reference to replacement hospitals (when this is a new hospital): Our research source evaluated "total replacement hospitals" where 100% of an existing hospital was replaced (in order to obtain a statistically significant sample size)

along with "new hospitals" where a new hospital has been or will be completed. Hence for the purpose of this response, we do consider the square footage of a 100% total replacement hospital comparable to a newly proposed or created hospital.

This research was conducted utilizing the proprietary McGraw Hill Construction data nationwide data base in conjunction with the internal research and design and construction records of our design-build firm HBE Corporation. The study analyzed a statistically significant sample of new and replacement hospital projects identified over the past three year period by gross square footage and bed size. The shift to private rooms and enhanced outpatient services within the hospital industry mandates that only recent replacement or new hospitals be analyzed to accurately reflect comparative square foot information.

A recalculation of the project gross square feet has been performed due to an error in the written square footage summary of the original application. The 1,995 gross square footage calculation was an error unrelated to this application for which we apologize. The actual Median Gross Square Feet per bed established by research over a hospital bed range of 25 to 300 beds equals 2,397 Gross Square Feet per bed (see the enclosed chart). The actual Gross Square Feet per bed for this project as proposed is equal to 2,354 which compares favorably to replacement and or new hospital projects in identified in the analysis.

New Replacement Hospital Database Sorted by Bed Count

Beds	Sq. Ft.	Sq. Ft. Bed	Name	City	State
25	62,000	2,480	Howard Memorial Hospital	Nashville	AR
25	54,549	2,182	Carlinville Area Hospital	Carlinville	IL
25	65,000	2,600	Marshall County Hospital	Benton	KY
39	124,000	3,179	Cass Medical Center	Harrisonville	MO
54	142,000	2,630	McCune-Brooks Replacement Hospital	Carthage	MO
58	122,000	2,103	Oak Valley District Hospital	Oakdale	CA
58	120,000	2,069	Integris Grove Hospital	Grove	OK
60	187,000	3,117	St. Margaret's Hospital	Spring Valley	IL
66	150,000	2,273	Great Plains Regional Medical Center	Elk City	OK
70	146,000	2,086	Design Services Hospital	Marianna	FL
80	240,000	3,000	Franklin Woods Community Hospital	Johnson City	TN
116	245,000	2,112	Johnston Memorial Hospital	Abingdon	VA
138	359,000	2,601	Good Samaritan Hospital	Mount Vernon	IL
263	650,000	2,471	Sherman Hospital	Elgin	IL
275	580,000	2,109	Western Maryland Hospital	Cumberland	MD

289	692,786	2,397	United Hospital Center	Bridgeport	WV
297	510,000	1,717	Washington County Hospital	Hagerstown	MD
300	700,000	2,333	Nationwide Children's Hospital	Columbus	OH
346	1,000,000	2,890	Kaiser Oakland Hospital	Oakland	CA
	Median	2,397			

d. Clarksburg Community Hospital total project cost per inpatient bed is very competitive at $1,426,540 (excluding inflation and interest) when compared to the Holy Cross Hospital pending CON application in Germantown Maryland whose similar project cost per bed is $2,949,016.

26. Regarding the response to Project Review Standard (13), Financial Feasibility, document how the staffing and expense projections are based on current expenditure levels at similar hospitals and at Shady Grove Adventist Hospital. Submit details on the calculation of expenses based on the assumptions identified in response to the "Financial Viability" Review Criterion. Where experience at SGAH served as the basis for the cost estimate, the details should explain any variations from SGAH experience.

Applicant Response:

The assumptions and detailed descriptions of the CCH staffing and expense projections are detailed in **Attachment 7.**

27. Regarding the response to Project Review Standard (14), Emergency Department Treatment Capacity and Space, please provide the following clarifications:
    a. Explain how the 8 observation and treatment rooms will be used. Will they be primarily used as post-treatment space, providing more time for making admission decisions?
    b. Explain why performance parameters such as average length of stay in the ED, time to admit, and average turnaround time for diagnostic test results are expected to be in the high range. Are the ACEP parameters unrealistic for a small hospital without a sophisticated array of secondary or tertiary services? ;
    c. Submit a detailed explanation, including methodology and assumptions, with respect to the CCH 2015 projection of 24,560 ED visits and 4,681 ED visits resulting in admissions.

Applicant Response:

a. To properly utilize inpatient resources the 8 bed observation unit be used for patients not clearly in need of admission but that require longer than the 2-5 hour ED visit. With advances in diagnostic imaging and certain specialties, the evaluation and disposition of an increasing number of patients can be accomplished within 12-18 hours. As emergency department patient populations become older and sicker, they will require additional

testing. Patient age is strongly correlated with complexity; these areas will therefore become even more vital in the future. This type of unit will allow inpatient beds to be reserved for patients that truly need them.

b. There are several reasons we have estimated the performance parameters to be in the higher range. We anticipate a large psychiatric population and this is a category of patients with longer than average ED stays. We will also be performing time-demanding imaging within the department that not only affect the ALOS but also require greater TAT for the study itself (e.g. MRI, cardiac CT, and ultrasound). Greater than 20% of the patient population is expected to be older than age 65, and the ED evaluation of the more complex geriatric patient requires significantly more time and testing. A large number of these geriatric patients will require either admission (which increases the ALOS). Also, because of the limited scope of services that the facility will provide, a larger proportion of patients will need to be transferred to SGAH and FMH for more highly specialized services. The ALOS for transfer patients is longer because they cannot simply be admitted but transfer arrangements need to be made. Finally, 8 of the 20 beds in the proposed ED are designated as observation beds, and because these patients will be in the ED for up to 23 hours they will certainly increase the overall ALOS in the ED.

c. We have forecasted that CCH will provide 24,560 outpatient ED visits, and will admit 4,681 MSGA patients following their visit to an ED, for a total of 29,241 visits in FY 2015. We neglected to include an assumption that 1,837 patients are expect to be transferred to CCH from the Germantown Emergency Center for admission, and 3,024 patients would be admitted through the CCH ED[1].

Our baseline data for making these projections is found at Attachment 11 of the CON application, where we show the actual ED visit data to Maryland hospitals and the Germantown Emergency Center. The Hospital data is for the FY 2008 period, and for the GEC, the CY 2008 period.

We then assumed that had the CCH be operating during those periods; it would have had 21,500 ED visits. This total was determined by making a market share assumption for each zipcode area in the proposed PSA of CCH. Some zipcode areas could have higher and lower percentages depending upon their proximity to the CCH and the expected travel patterns over the local roadways. We then assumed that the demand for ED services will grow 3.5% per year through FY 2015, and if nothing else changes, CCH will have approximately 27,306 visits among residents of the PSA. The difference between the 27,306 PSA forecast and the 29,241CCH forecast are 1,935 ED visits expected from residents outside the PSA.

We assumed that almost all patients who do not reside within the PSA of CCH might use its ED for very serious conditions requiring inpatient admission, although predicting that percentage would be highly speculative for a proposed new hospital. For that reason, we

[1] See p. 59 of the CON application.

assumed that 93% of the patients who would visit the CCH ED would be PSA residents. It is possible that that the percentage could be higher.

With respect to the number of patients who would be admitted to the hospital through the ED, we assumed that 4,861 ED patients would be admitted to the hospital in FY 2015; of those, 3,024 (62%) would be admitted through the CCH ED, and 1,837 (38%) would be admitted through the GEC. Because the inpatient beds at SGAH will be highly utilized by FY 2015, we expect that CCH would be the primary site for GEC patients who require inpatient admission.

28. With respect to Standard .04(1), Need, submit a detailed description of the methodology used in projecting the demand for obstetric services at CCH. In projecting the need for obstetric beds, were PSA fertility rates, existing obstetric bed utilization rates, and market share considered? Please assure that the detailed description provided addresses how these factors were considered.

Applicant Response:

All of the factors noted in your questions were considered when we prepared the plan for the Obstetrics services at CCH, plus other factors related to the feasibility of the proposed 18-bed unit and the types of patients who would be suitably treated at CCH.

We examined the natality statistics for Montgomery County that indicated that Obstetrics was a growing and needed service.

Maryland Vital Statistics: Mo. Co.

	Mo. Co. Residents			Births in Mo. Co.		Births outside Mo. Co.			
YEAR	Births	Birth Rate	Fertilty Rate	R & NR	Residents Only	DC	Other MD	Other States	TOTAL
2004	13,546	14.7	70.8	17,626	10,790	2,176	318	262	13,546
2005	13,507	14.6	71.4	18,234	10,917	2,012	302	276	13,507
2006	13,807	14.8	73.0	18,817	11,398	1,884	302	223	13,807
2007	13,843	14.9	74.3	19,087	11,453	1,840	308	242	13,843

The Obstetrics bed methodology began with an examination of the 2,386 obstetrics discharges reported at any Maryland hospital among residents of the CCH PSA in FY 2008. Having assured ourselves that there was a minimum number of likely Obstetrics patients residing in this area and that that number would continue to grow, we advised the hospital architects to design a "right sized" obstetrics unit recognizing that only a portion of the future patients of the PSA would actually come to CCH given the availability of numerous alternative hospitals.

Nevertheless, 56% of the 2,386 total number of these Obstetrics discharges occurred at Shady Grove Adventist Hospital. This meant that the majority of obstetrics patients from

PSA residents to CCH would likely come out of SGAH Obstetrics service, a high-volume, Level III+ Perinatal Program with thousands of deliveries every year. In short, the likely loss of approximately 700 Obstetrics discharges from SGAH in 2015 from among PSA residents was worth the development of the Obstetrics service at CCH in order to improve patient access. Moreover, we anticipated that many of the private practice community obstetricians would be happy to expand their practice from Rockville to Clarksburg and support the CCH in the future, and thus assure a continuing flow of Obstetrics patients to CCH from among non-PSA residents. In our experience, most Obstetrics patients select a doctor before they select a hospital.

Having assured ourselves that an Obstetrics service was feasible for CCH, and would have an impact on existing hospitals of less than 20% of their future volumes, the only question was how should the unit's capabilities be integrated with the services available at Shady Grove Adventist Hospital and Frederick Memorial Hospital?

With that consideration in mind, we specifically excluded Obstetrics patients whose own hospital stay, or the stay of a newborn, would require the sophisticated personnel, equipment and programs of a Level III Perinatal Center. A mathematical exclusion was made to subtract 289 Obstetrics patients from the FY 2008 PSA residents who: 1) did not have a normal delivery, 2) low-birthweight newborns and/or 3) newborns who required a surgical procedure. These patients were excluded from the number of Obstetrics discharges that would have otherwise been included in the FY 2008 base year period in making the projections of CCH Obstetrics volumes for FY 2015. We assumed that the annual increase in Obstetrics discharges would be 1% per year in order to be conservative recognizing the projected demographics of the PSA.

For the quantitative analysis of the impact of the proposed OB service on other Maryland hospitals from among CCH PSA residents, please see the response to Completeness Question #37.

29. With respect to Standard .04(4), Medicaid Access, explain the relationship between the Medical Assistance program and the Maternity Partnership Program and respond to subsection (b) with specific regard to the Medical Assistance program.

Applicant Response:

The Montgomery County Maternity Partnership Program contracts with county hospitals to provide prenatal and obstetrical care to indigent women who do not qualify for Maryland State Medical Assistance.

Washington Adventist Hospital
At WAH this accounted for 8,310 visits to WAH's Women's Center and 633 deliveries in 2008. OB hospitalist services and clinic coverage in the Women's Center is provided under contract by ten physicians (of whom eight are obstetricians who participate in the MPP) who are on staff at WAH.

There are currently 25 physicians on staff in Obstetrics and Gynecology at WAH. 18 of those physicians performed 1,188 deliveries for Medical Assistance enrollees in 2008. All of these physicians will be invited to remain on the medical staff at the new facility location.

Shady Grove Adventist Hospital
At SGAH this accounted for 1,653 visits to SGAH's Women's Center and 141 deliveries in 2008. OB hospitalist services and clinic coverage in the Women's Center is provided under contract by 7 physicians and 2 midwives (all obstetricians participate in the MPP) who are on staff at SGAH.

There are currently 59 physicians on staff in Obstetrics and Gynecology at SGAH. All of these physicians will be invited to join the medical staff at the new CCH.
Adventist HealthCare's seeks to maintain its commitment to the Maternity Partnership Program.

30. With respect to Standard .04(5), Staffing, please respond to the standard by providing the proposed staffing and expense information requested.

Applicant Response:

Please find at **Attachment 8** a chart showing the required proposed staffing and expense information as per Standard .04(5).

31. Regarding Standard .04(8), Community Benefit Plan, please prepare the plan requested, especially the identification and quantification of unmet community need (i.e., the population that is not currently served or has specific problems accessing services) and how the proposed services will meet those needs

Applicant Response:

Adventist HealthCare has a long history of providing outreach services addressing women's health issues and the needs of the underserved. In particular, Shady Grove Adventist Hospital and Washington Adventist Hospital, as well as AHC's affiliated non-hospital facilities and programs, have been the focus of those outreach services.

Outreach Services for the Underserved

For many years SGAH & WAH have provided a variety of programs that focus on women's health issues. Some of these examples include blood pressure screening at community center and senior centers across the county. We have partnered with African American Health Program to provide monthly free monthly screenings at its east county facility. We have worked with Montgomery County on many work groups that have addressed issues such as diabetes and low-birth weight babies. Some of the results of this work include participation in the Dining Club and giving low-income women low cost or free maternal child classes. We not only give them a childbirth class, but we also let them take any of the maternal child classes for free since raising a healthy baby is not just about childbirth. We have also worked

not for nine years with the Sister to Sister foundation to educate and screen women on heart disease. Over sixteen years ago, SGAH and WAH started working with the state of Maryland on a low income breast cancer screening program. This program still continues. We screen over 1700 women each year. This year we have added a personal navigator, to help women get the proper care that they need. We have hosted education free programs on breast feeding, postpartum depression, cervical cancer, breast cancer, ovarian cancer, women and heart disease, Some other programs that have helped detect health issues at an early stage are Cancer Screening Days, which for women screens for bladder, skin, oral and breast cancer annually. We also conduct peripheral vascular disease screenings bi-annually.

Throughout our history, Adventist HealthCare has found that working with other groups in the community really helps to make a difference in the community. We partner with Montgomery County Health and Human Services, with Women's Cancer Control Program, the Cancer Crusade, Asian American Health, African American Health Program and the Latino American Health Innitative. Some other partnerships are with Montgomery County Public Schools, the Primary Care Coalition, WTOP Radio, the Sister to Sister Foundation, American Heart Association and American Cancer Society. Annually our health and wellness serve over 60,000 people with lectures, health fairs, screenings and special events, with more than 100 different types of program with topics that include everything from heart disease to flu shots

According to the HSCRC FY 2007 community benefit report, AHC spent $7,504,630.67 in net community benefit for all community health services, which included all outreach programs, providing all screenings and educational events free-of-charge. In addition to financial support, AHC employees across many departments work full or part-time on outreach efforts and in FY2007, this accounted for over 24,000 hours. Physician, nurses and allied health professionals recruited by AHC also volunteered thousands of hours in outreach and education activities.

As seen above, AHC has established community partnerships with local agencies and organizations businesses, churches and community centers. AHC's outreach efforts extend from the eastern part of the County, to the upcounty areas, including the proposed PSA of CCH.

CCH primary service area (approximately 75% of its forecasted discharges) include thirteen zipcodes, as shown below:

CCH - PSA	
20838	Barnesville
20839	Bealesville
20841	Boyds
20842	Dickerson
20871	Clarksburg
20872	Damascus
20874	Germantown

20876	Germantown
20882	Gaithersburg
21704	Urbana/Frederick
21710	Adamstown
21754	Ijamsville
21770	Monrovia

According to Claritas and CR+K population projections, the number of women in the 15-44 age cohort is expected to increase both in Montgomery and Frederick County and in CCH's proposed PSA between 2000 and 2020.

YEAR	Montgomery Co.	Frederick Co.	CCH PSA
2000	194,112	43,932	32,029
2005	193,643	46,778	33,431
2010	186,074	46,817	34,322
2015	189,908	50,429	35,072
2020	198,642	56,118	35,800

Source: MDP; Claritas, Inc. and CR+K.

In 2000, the population of Montgomery County and Frederick County has an average per capita income of $25,615 and $25,404, respectively. All of the zipcodes that comprise the proposed PSA of CCH had per capita incomes above the respective County-wide averages, except Urbana/Frederick (21704) at $23,053. Of the 31,814 HealthChoice recipients in Montgomery County enrolled as of March 31, 2008, 31,814 lived in the "Montgomery – North" local access area, which includes the proposed PSA of CCH. 13,845 Frederick County residents were enrolled in HealthChoice as of March 31, 2008.

The proposed CCH PSA generated 2,386 Obstetrics cases in FY 2008, of which 12% were Medical Assistance, 14% HealthChoice, 2% Self-Pay, and the balance 72% Private Health Insurance. We anticipate that the percentages of future Obstetrics patients living in the PSA and obtaining Obstetrics services at CCH will have a similar payer mix. This means that approximately 26% of the obstetrics patients residing in the PSA qualify for publicly funded obstetrics services. We anticipate that many of the obstetrics patients treated at CCH will have unmet health needs related to their pregnancy.

As noted above, Claritas and CR+K projects that the number of women in the 15-44 age cohort residing in the CCH PSA to increase between 2009 and 2020.

Please see below a chart providing a breakdown of the ethnic and racial diversity of the female population of the PSA in the 15-44 age cohort.

Females: Age Cohort 15-44

Zip	2009	ASIAN	BLACK	MULTIRACIAL	NATIVE AMERICAN	PACIFIC ISLANDR	WHITE	OTHER
20838	46	0	1	1	-	-	44	0
20839	91	1	8	1	0	-	79	1
20841	1,046	187	132	25	3	0	678	21
20842	416	4	24	7	1	-	378	2
20871	1,405	32	61	20	1	1	1,275	16
20872	2,522	65	130	60	6	1	2,216	43
20874	11,551	1,496	2,362	542	33	16	6,542	560
20876	4,471	928	945	182	17	3	2,177	219
20882	3,082	151	178	59	6	2	2,661	26
21704	1,524	27	131	28	2	-	1,322	14
21710	812	18	40	18	1	-	728	7
21754	1,246	35	31	15	3	1	1,157	4
21770	1,226	20	17	25	5	0	1,149	10
C-SA total	**29,438**	**2,964**	**4,060**	**983**	**79**	**23**	**20,405**	**924**

Females: Age Cohort 15-44

Zip	2020	ASIAN	BLACK	MULTIRACIAL	NATIVE AMERICAN	PACIFIC ISLANDR	WHITE	OTHER
20838	48	0	1	1	-	-	47	0
20839	100	1	7	1	0	0	88	1
20841	1,309	281	177	35	3	0	779	34
20842	458	4	24	8	1	-	418	3
20871	1,689	44	78	25	0	1	1,519	23
20872	2,623	77	143	66	7	2	2,276	52
20874	12,539	1,890	2,791	640	33	21	6,455	708
20876	4,751	1,144	1,106	213	18	3	2,000	266
20882	3,333	183	199	68	6	3	2,842	31
21704	1,854	40	160	42	3	-	1,586	24
21710	951	30	50	27	2	-	832	12
21754	1,423	52	41	19	5	1	1,297	6
21770	1,322	28	22	34	6	0	1,218	13
C-SA total	**32,399**	**3,775**	**4,798**	**1,179**	**85**	**32**	**21,358**	**1,173**

In FY 2008, there were 2,022 Obstetrics discharges to any Maryland hospital.

Obstetrics Discharges, FY 2008
CCH Proposed Service Area

Hospital	OB Discharges	%
Shady Grove Adventist	1,336	59%
Holy Cross Hospital	613	22%
Frederick Memorial	151	9%
Montgomery General	151	7%
All Other Md. Hospitals	82	3%
TOTAL	2,386	100%

The principal source of pre-natal and perinatal care for residents of the CCH PSA is private obstetricians practicing in Montgomery and Frederick Counties. For residents of Montgomery County, Shady Grove Adventist Hospital (SGAH) is an active participant in Montgomery County's maternity partnership program which provides prenatal care and maternity services to low income, uninsured pregnant women.

Among the obstetricians practicing at Shady Grove Adventist Hospital, many accept Medical Assistance patients and seven participate in the Montgomery County partnership program. We anticipate that financial access to pre-natal and perinatal care at CCH will be identical to the access currently provided at Shady Grove Adventist Hospital, and no obstetrics patient will be denied care for lack of ability to pay. All services such as early diagnostic tests like amniocentesis, ultrasound and sonograms to uninsured and underinsured women will continue to be provided through CCH and members of its medical staff. Establishing a new obstetrics program at CCH will enable all obstetrics patients who reside in the CCH PSA or others who may chose to obtain services at CCH to have a geographically and financially accessible hospital.

The underserved population of the proposed CCH PSA has access to Shady Grove Adventist Hospital for obstetrics services. This hospital and members of its medical staff provide the majority of obstetrics services, and will extend their experience and expertise to CCH.

To plan the women's health program at CCH that will address unmet needs, AHC will form a Committee to help design a program to supplement and complement the services that are currently available for minority and indigent women who require assistance to achieve a health pregnancy and delivery. This Committee will be an integral part of the Center for Healthy Communities, a separate, not-for-profit organization with broad and diverse representation of key stakeholders from throughout the CCH service area. A more complete description of the Center for Healthy Communities is found in the Project Description, pp. 7-9 (Attachment 1 to the CON Application).

The Committee is expected to include representatives from AHC's administration and outreach staff, SGAH administration and clinical staff, the Montgomery County Health

Department and the Montgomery County Maternity Partnership Program, and representatives of Frederick Memorial Hospital and the Frederick County Health Department.

The Committee's initial objectives will be to:

1. Assure continued access to the services provided by each of the existing hospital and non-hospital providers serving the population;
2. Cooperatively identify minority and indigent populations who need service regardless of insurance status or ability to pay;
3. Share perspectives on barriers to care for minority and indigent women in the community;
4. Recommend services that CCH should be providing;
5. Design aspects of the CCH program that will assure the seamless provision of needed services across providers and settings; and
6. Refine the CCH program so that it will support and expand existing services for women and infants.

An important component of CCH's outreach to the underserved will be to encourage, through culturally sensitive and appropriate communication, early and continued prenatal care and to warn women about the potential risks and results of inadequate prenatal care. Awareness and education programs will emphasize the effects of unhealthy behaviors during pregnancy and provide a call to action, with specific information and follow-up on where and how to seek obstetric and gynecological care.

The goal of expanding the existing AHC outreach programs to the CCH PSA will be to help underserved women seek early pregnancy diagnosis and on-going prenatal care to reduce the incidence of infant mortality and improve health outcomes for women and their babies. The experience of established outreach programs at SGAH seek to address all facets of good prenatal care, including:

1. Easy entry into the system;
2. Getting the word out about what services are available;
3. Identifying women in need;
4. Educating mothers and fathers about prenatal and infant care;
5. Assisting indigent women to obtain insurance coverage;
6. Offering access to personal caregivers and consistent contacts;
7. Providing local, easy to access prenatal care in the most appropriate setting;
8. Arranging case-management services to assure healthy pregnancies;
9. Providing a positive inpatient birthing experience that is geographically accessible and convenient to area women and their families;
10. Providing high-quality clinical care and medical intervention;
11. Continuing with care after birth.

We anticipate that the Committee will recommend that a major public education campaign will be undertaken to get the word out on the services to be provided at the new CCH prior to its opening. Among the services that will be included in this campaign will be the obstetrics

and newborn services of the new hospital. The campaign will include special messages for assuring that all members of the public, regardless of health insurance or ability to pay, will be welcome at CCH, including minority and indigent women. Among several campaign messages that will be reviewed by the Committee will be those that specifically encourage pregnant women to obtain referral information from CCH; educate women and their partners about the benefits of prenatal education and care; and educate the community about the medical and financial resources that are available. All appropriate public media, including public service announcements in local newspapers and magazines, including Spanish and other non-English language publications will be utilized.

In addition to public media, CCH will rely upon word-of-mouth advertising, and will assist local caregivers, community leaders, religious leaders and businesses to explain the availability of CCH and its services to service population.

The Committee will review the opportunities to reach adolescents in the community, especially those who may not be easily reached through conventional marketing and outreach activities.

As noted in the Project Description, CCH will develop a primary care clinic on the hospital campus for low-income uninsured residents of upper Montgomery County and lower Frederick County. One of the first tasks of the Committee will be to review the need to include the full range of prenatal, perinatal and gynecologic care, nutrition assistance, education and awareness programs and services at the primary care clinic. If so, case management services will be used to improve health outcomes for mothers and their babies, and the clinic will have direct access to the resources of CCH and SGAH.

These resources may include: registered nurses as case-managers who will coordinate care to ensure that each patient's needs are met, scheduling appointments for patients and making appropriate referrals for counseling, health insurance, substance abuse treatment programs, shelters, and follow up pediatric care post delivery. Educational interventions (for example, breast feeding, infant safety, parenting, and SIDS prevention) will also be incorporated. If needed, home visits will be coordinated.

In addition to case management services, other services relevant to the needs of obstetrics patients will be considered by the Committee for the primary care clinic. Underserved obstetrics patients often have other social, family and financial problems that if left unaddressed can contribute to bad pregnancy outcomes. Outreach workers will assist in the effort to address these problems, and will work to ensure that uninsured patients complete the paperwork necessary to enroll in the Medical Assistance program and/or the Maternity Partnership Program.

In our experience, some of the problems involved in addressing the unmet needs of the community are the lack of awareness of substance abuse problems or violence in the home. This lack of awareness may be due to many factors including the lack of training and awareness, discomfort in talking to patients about these issues, fear of losing the patient by

asking about personal issues, no insurance reimbursement, and inadequate time during appointments.

One of the issues to be addressed by the Committee will include how to best prepare the caregivers of CCH to address the whole needs of obstetrics patients, and to appropriately screen for substance abuse and incidents of domestic violence. Culturally relevant education materials will be reviewed by the Committee for inclusion in the outreach and other programs developed for obstetrics patients with unmet needs.

Another task for the Committee will be to review the need for educational classes for patients and their families. Topics to be considered are: smoking cessation, nutrition (including the importance of folic acid during pregnancy), breast-feeding (education and support), childbirth preparation, and parenting (including baby care basics and caring for multiples). Material to be incorporated will be culturally sensitive and interpreters will be available for non-English speaking patients.

As is the case at all AHC hospitals, CCH education staff for the obstetrics service will include a lactation consultant, a prepared childbirth educator, and a health educator. Classes will be offered during the day and in the evening or on weekends, so patients will be able to attend classes as their schedules and transportation allow. An emphasis on the use of child safety seats will be incorporated into all education sessions; distribution programs have proved effective as part of regular post-natal care.

Summary and Conclusion

The obstetrics program at CCH will provide access to a comprehensive support and education program for the underserved population living in upper Montgomery County and lower Frederick County. As part of the proposed outreach program for obstetrics patients, CCH will build on the experience at SGAH, as well as implement this Community Benefit Plan with the work of the Center for Healthy Communities, and a Committee designated specifically for this service.

The quantifiable needs of the population requiring public assistance have been quantified to the best extent possible. Other measures of need will be developed as the services of CCH become closer to reality.

We anticipate that the staff of CCH will identify many unmet needs in the service area, which, through careful and culturally sensitive programs, will be better able to improve pregnancy outcomes in the population.

32. Standard .04(13), Impact on the health Care System, subsection b requires "the Commission to consider whether an existing program's payer mix of obstetric patients will significantly change as a result of the proposed program, and the existing program will have to care for a disproportionate share of indigent obstetric patients in its service area." The response did not provide current and projected obstetric payer mix data on the hospitals serving the area. Please provide data and analysis supporting the statement on

page 49 that "we do not anticipate that payer mix of obstetric patients at SGAH and Frederick Memorial Hospital will change following commencement of Obstetric services at CCH." Also address the impact on Holy Cross Hospital and Montgomery General Hospital.

Applicant Response:

Shown below is the payer mix of 2,386 obstetrics patients among residents of the proposed PSA of CCH:

FY 2008
OB Discharges
CCH PSA

Payer	SGAH	FMH	HX	MGH	Other MD	Total
Medicare	2				-	2
Medicaid	87	5	150	10	24	276
Blue Cross	60	11	15	1	4	91
Commercial	248	46	74	39	10	417
Other Govt		3			-	3
Self Pay	15	9	9		5	38
Charity			4		-	4
HMO	514	55	283	28	16	896
Medicaid HMO	230	20	23	49	13	335
Medicare HMO					1	1
Blue Cross	171	40	30	18	5	264
Blue Cross		15	25	6	4	50
Other	9				-	9
Grand Total	1,336	204	613	151	82	2,386

The impact of CCH's OB programs on Holy Cross Hospital and Montgomery General Hospital is set forth in response to Completeness Question #37.

In summary, among residents of the proposed CCH PSA, Holy Cross Hospital is projected to discharge 635 OB patients in FY 2015, an increase of approximately 4% above FY 2008; Montgomery General Hospital is forecasted to discharge 156 OB patients in FY 2015, an increase of approximately 3%. Assuming that the CCH is operating its OB service in FY 2015 at the volumes and market share it has projected, there would be a redistribution of OB cases to CCH from all other Maryland hospital that provided OB services in FY 2008. Specifically, the number of OB discharges at Holy Cross Hospital and at Montgomery General Hospital would be reduced by 319 and 75, respectively.

33. Regarding Standard .04(14), Financial Feasibility, please address the financial feasibility sub-standard (c) at the projected volumes and at the minimum volume standard in the SHP Chapter. Submit a Table 4 or similar financial projection for the first three years of operation with a detailed explanation of assumptions including the revenue projections and allocation of overhead expenses.

Applicant Response:

Please note that the projected financial information for the minimum 1,000 OB cases includes overhead allocations based on the 18 bed OB unit configuration which at 1,000 OB cases would result in operational inefficiencies and is not indicative of future operations. Please find Table 4 at **Attachment 9**.

34. With respect to the response to the "Need" Review Criterion, please provide the following clarifications and additional information:
    a. Provide a readable map of the proposed primary service area with the zip codes clearly indicated;
    b. Provide a detailed description of how the service area was determined;
    c. Clarify the role of Claritas and CR+K in preparing the historical and projected PSA population by age;
    d. Submit the historical and projected population of the PSA by zip code area;
    e. Provide the source of the Montgomery County population projections on the bottom of page 54
    f. Are the 2000 populations for the PSA and Montgomery County from the U.S. Census?
    g. Please provide a detailed explanation of the basis for the projected 2.75% annual growth in MSGA discharges and the .5% annual growth in obstetric discharges;
    h. The calculation of MSGA bed need on page 55 projects a minimum MSGA bed need for the Clarksburg PSA of 119 beds in 20017 and a maximum bed need of 146 beds. The calculations on page 57 and 58 indicate the need for 87 MSGA beds at CCH in FY 2015. Please specify and explain any relationship between these two calculations. Also, provide a detailed explanation of how the calculations on page 57 and 58 take into account existing utilization patterns in the designated PSA and how the proposed Hospital would impact market share and utilization of the hospitals that currently serve the area.

Applicant Response:

a) Maps are at **Attachment 10**
b) The proposed primary service area of Clarksburg Community Hospital was determined by selecting those zipcode areas that surround the site of the proposed new hospital in the expectation that residents of those areas would use CCH after it is CON-approved, built and commences operations.
c) For the PSA zip codes, CR+K obtained the totals by zip code from the Claritas data for the periods 2008 and 2013. The next step was to determine the total for Montgomery

County from the Claritas data, which was then used to compute the weighting for each zip code in the PSA. These percentages were then multiplied by the Montgomery County total from the Maryland Department of Planning population dataset: 2009 Total Population Projections by Age, Sex and Race (2/5/09). Next, we used the Maryland population dataset to determine the distribution by age cohort and multiplied those percentages by the newly computed zip code total for the PSA zip codes. The age cohort distribution was then adjusted to reflect the change for the PSA zip codes as the aging would be different than that for Montgomery County. Once the projections were built up to 2020 we applied a constant growth factor from 2008 to 2020 to smooth out the projection.

d)

Year	Geographic Area	0-14	15-44	45-64	65+
2008	Clarksburg -PSA	33,237	57,804	40,463	13,006
20838	2008	52	91	64	20
20839	2008	103	179	125	40
20841	2008	1,167	2,030	1,421	457
20842	2008	470	818	572	184
20871	2008	1,573	2,736	1,915	616
20872	2008	2,862	4,978	3,485	1,120
20874	2008	13,056	22,706	15,894	5,109
20876	2008	5,064	8,806	6,164	1,981
20882	2008	3,485	6,061	4,243	1,364
21704	2008	1,705	2,965	2,075	667
21710	2008	912	1,586	1,110	357
21754	2008	1,401	2,437	1,706	548
21770	2008	1,387	2,412	1,688	543

Source: Claritas, Inc.

Year	Geographic Area	0-14	15-44	45-64	65+
2013	Clarksburg -PSA	35,094	60,862	41,522	17,174
20838	2013	54	94	64	25
20839	2013	108	188	128	53
20841	2013	1,307	2,267	1,547	638
20842	2013	496	861	587	243
20871	2013	1,730	3,000	2,047	845
20872	2013	2,946	5,110	3,486	1,444
20874	2013	13,705	23,767	16,215	6,709
20876	2013	5,264	9,129	6,228	2,578
20882	2013	3,652	6,333	4,320	1,788
21704	2013	1,885	3,268	2,230	921

21710	2013	991	1,718	1,172	484
21754	2013	1,505	2,611	1,781	736
21770	2013	1,451	2,516	1,717	710

Source: Claritas, Inc.

Year	Geographic Area	0-14	15-44	45-64	65+
2020	Clarksburg -PSA	37,898	65,465	43,090	25,371
20838	2020	57	98	64	38
20839	2020	117	201	133	78
20841	2020	1,531	2,646	1,743	1,019
20842	2020	535	925	609	358
20871	2020	1,976	3,414	2,248	1,317
20872	2020	3,068	5,300	3,487	2,060
20874	2020	14,667	25,336	16,675	9,826
20876	2020	5,558	9,601	6,318	3,727
20882	2020	3,898	6,734	4,432	2,612
21704	2020	2,169	3,746	2,467	1,445
21710	2020	1,113	1,922	1,266	743
21754	2020	1,664	2,874	1,892	1,112
21770	2020	1,546	2,671	1,758	1,036

Source: CR+K.

e) Our review of these data indicate that we had used previously available demographic information that has been superseded by more recent population estimates and projections for Montgomery County published by the Maryland Department of Planning. These are shown below:

Year	Geographic Area	0-14	15-44	45-64	65+	Total
2008	Montgomery County	193,172	373,344	265,155	119,570	951,240
2009	Montgomery County	193,474	371,245	270,901	122,999	958,618
2010	Montgomery County	193,776	369,145	276,647	126,428	965,996
2011	Montgomery County	195,874	371,452	278,431	132,040	977,797
2012	Montgomery County	197,972	373,759	280,216	137,652	989,598
2013	Montgomery County	200,070	376,065	282,000	143,263	1,001,399
2014	Montgomery County	202,168	378,372	283,785	148,875	1,013,200
2015	Montgomery County	204,266	380,679	285,569	154,487	1,025,001
2020	Montgomery County	212,738	401,375	271,923	188,963	1,074,999

Source:
2009 Total Population Projections by Age, Sex and Race (2/5/09)
Prepared by Maryland Department of Planning
New input data :

f) It is our understanding that Claritas and the Maryland Department of Planning use the U.S. Census data as a basis for their estimates for 2000 population.

g) Our assumptions concerning the annual growth in the number of MSGA for CCH were based on a review of historical trends in PSA discharges for the 1997 – 2007 periods, and our desire to be very conservative in our projections. On average, the annual growth in discharges was over 5% per year. We selected a more modest growth rate in order to be conservative. With respect to OB discharges, we assumed that the growth in discharges would be negligible given the modest forecasted growth in the PSA's 15-44 age cohort; we assumed that an annual OB discharge growth rate of less than 1% was also conservative.

h) There is no mathematical relationship between those two calculations. The architectural design of CCH is for 82 MSGA beds (including 10 intensive care beds) and 18 Obstetrics beds. In the opinion of the Hospital's architects, this is about as small as a hospital can be and still be functional and cost-effective operating in a metropolitan area. As explained in the application, not all of the forecasted demand for services among residents of the PSA will be addressed by CCH. We have assumed that 75% of the forecasted PSA demand will be addressed by CCH, and it is a coincidence that 75% of the 119 MSGA beds forecasted to be needed at the low use rate and low ALOS in 2017 yields 89 beds, seven more than CCH is proposing to build. In our view, the migration of PSA residents to other hospitals is also likely to continue even after CCH commences operations and gets through its "ramp up" phase during the 2013-2015 periods. Specific exclusions have been incorporated for patient needs that are best addressed at other Maryland hospitals. In addition, migration to CCH from residents outside the PSA has been assumed to account for 25% of its total discharges. With respect to the impact of CCH on other Maryland hospitals, we have provided a detailed explanation and analysis in response to Completeness Question #37.

35. With respect to the "Financial Viability" Review Criterion, please provide the following additional information and clarifications:
    a. Indicate when the Audited Financial Statement for 2008 is expected to be available and submit a copy when available; and
    b. Summarize the funds available for capital investments throughout the Adventist operations and planned uses of such funds through 2012.

Applicant Response:

a. The Audited Financial Statements for Adventist HealthCare are found at **Attachment 11.**
b. AHC was requested to document the availability of the cash contributions to the projects by summarizing funds available throughout AHC through 2012. As found in the original CCH CON application, $8,020,000 was identified as equity and $20,000,000 as a working capital loan. As found in **Attachment 12,** the AHC Summary of Cash Flows Projection for 2009 – 2012 indicates the December 31, 2008 cash balance at nearly $154 Million and that with the additional borrowing of approximately $640 Million the

approximate $819 Million of CON related projects and all other projects could be funded and cash still increase by $15 Million.

36. Regarding Table 3, please provide the following clarifications:
    a. What is included in "Other Operating Revenue"?
    b. The applicant has indicated "Interest on Project Data including MIP". What is MIP?
    c. The applicant has indicated "Current Depreciation – ongoing acquisitions". What does that mean and why are there projected ongoing acquisitions in the first year of operation of a new facility? Why should such acquisitions not be included in the project budget?

Applicant Response:

a. Table 3, "Other Operating Revenue" includes cafeteria income, gift shop income and miscellaneous income based upon assumed relationships with EIPDs, adjusted for the ramp up period.
b. "MIP" is an acronym for "Mortgage Insurance Premium" which is a payment required by HUD to secure the FHA Insured Mortgage. The payment is approximately .50% of the FHA Insured Mortgage monthly debt service.
c. "Current Depreciation – ongoing acquisitions" represents depreciation attributed to purchases reimbursed from the HUD AMPO Fund in Years 2013 and 2014, plus depreciation attributed to equipment purchases projected to be made in Year 2015. The HUD AMPO Fund is a restricted fund required to be funded by tax exempt bond proceeds (and is disclosed on Line 2j of the Project Budget). The HUD AMPO Fund generally is available to reimburse the hospital for equipment purchases after the hospital is operational.

37. Also regarding the "Impact on Existing Providers" please provide a detailed analysis supporting the claim that the proposed new hospital will have no negative effects on other providers, including a projection of utilization (discharges, patient days) and revenues, by service, at the 5 Montgomery County hospitals and Frederick Memorial Hospital if the CCH project is not developed and the same projections if CCH is developed. These projections should be consistent with the projections provided elsewhere in the application for utilization at CCH.

Applicant Response:

To assess the potential impact of the proposed CCH on other Maryland hospitals, we examined the number and distribution of MSGA and OB discharges from any Maryland hospital from the proposed CCH PSA for the FY 2008 period. For the scenario in which the Hospital is not developed at all, we estimated that market shares among the various Maryland hospitals which discharged PSA residents in FY 2008 would remain the same through 2015 by service. For the scenario in which CCH is CON-approved and developed, and begins to

operate at fully effectiveness and efficiency in CY 2015, we make certain market share assumptions of changes in market share.

The annual growth in MSGA and OB discharges from FY 2008 and FY 2015 are consistent with the growth rates forecast in the CON application: 2.75% and 1% respectively.

Attachment 13 shows the calculation of the market share shifts that would have occurred in FY 2008 had CCH been operating during that period. **Attachment 14** shows a summary of the impact on MSGA and OB discharges by hospital.

If the CCH project is not developed, the number of PSA MSGA and OB discharges is forecasted to grow from 6,913 in FY 2008 to 8,345 in FY 2016, and from 2,386 to 2,471, respectively. Market shares between and among existing Maryland hospitals providing these services are assumed to remain constant.

If CCH is developed, and operates as forecasted, there will be a commensurate loss of volumes at existing Maryland hospitals, by service. The greatest losses in volumes will occur at Shady Grove Adventist Hospital, which is forecasted to lose 2,191 MSGA cases and 688 OB cases in FY 2016.

With respect to the impact on revenues, we calculated the changes in revenues by hospital by service for each of the two PSA assumptions. It should be noted that the average FY 2008 revenue per case was not adjusted for case-mix. OB revenues also include newborns. These estimates are shown below:

Forecasted Utilization of CCH Hospital and Impact on Other Maryland Hospitals: CCH PSA

MSGA Hospital	NO CCH	CCH	(Loss/Gain)	% change	FY 2008 Average Charge	Revenue Impact
CCH	0	4,844	4,844		$8,335	$40,374,740
SGAH	4,015	1,824	-2,191	-54.57%	$10,432	-$22,856,172
FMH	1,392	382	-1,010	-72.55%	$9,784	-$9,880,268
HX	387	172	-215	-55.61%	$12,161	-$2,620,621
SH	711	317	-394	-55.42%	$11,611	-$4,574,838
MGH	754	374	-380	-50.43%	$10,641	-$4,048,541
WAH	286	121	-165	-57.71%	$13,283	-$2,192,938
CCGH	27	8	-19	-69.88%	$9,307	-$172,712
Other Md.	773	303	-470	-60.78%	$13,295	-$6,242,979
TOTAL	8,345	8,345	0	0.00%		-$12,214,329

Forecasted Utilization of CCH Hospital and Impact on Other Maryland Hospitals: CCH PSA

OB Hospital	NO CCH	CCH	(Loss/Gain)	% change	FY 2008 Average Charge	Revenue Impact

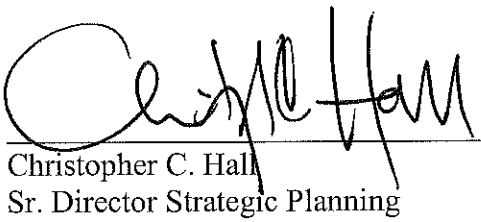
CCH	0	1,262	1,262		$3,940	$4,972,280
SGAH	1,383	695	-688	-49.75%	$4,568	-$3,142,784
FMH	211	75	-136	-64.45%	$4,204	-$571,744
HX	635	316	-319	-50.24%	$4,700	-$1,499,300
SH	1	1	0	0.00%	$5,124	$0
MGH	156	81	-75	-48.08%	$3,701	-$277,575
WAH	37	20	-17		$4,484	-$76,228
CCGH	4	1	-3	-75.00%	$4,280	-$12,840
Other Md.	44	20	-24	-54.55%	$5,460	-$131,040
TOTAL	2,471	2,471	0	0.00%		-$739,231

ATTACHMENTS

1. A spreadsheet profiling rooms and bed capacity
2. Corrected chart showing distribution of hospital area, by department and floor
3. Revised Chart 1
4. Revised Project Budget
5. MSGA bed need projections
6. Revised MVS
7. Staffing and expense projections
8. Staffing and expense information for Standard .04(5)
9. Table 4 for Standard (8)
10. Updated service area maps
11. AHC Audited financial statements
12. AHC Summary of cash flows
13. Market Share shifts FY2008
14. Impact on MSGA & OB

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the foregoing comments and attachments are true and correct to the best of my knowledge, information, and belief.



Christopher C. Hall
Sr. Director Strategic Planning

5-29-09
Date

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the foregoing comments and attachments are true and correct to the best of my knowledge, information, and belief.

[Name and Title]

29 May 09
Date

Kenneth A Tannenbaum
Clarksburg Community Hospital Coordinator

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the foregoing comments and attachments are true and correct to the best of my knowledge, information, and belief.

Thomas L. Cha V.P., Financial Servic May 27, 2009

[Name and Title] Date

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the foregoing comments and attachments are true and correct to the best of my knowledge, information, and belief.

Richard Myles, Director of Construction
And Property Management

May 27, 2009
Date

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the foregoing comments and attachments are true and correct to the best of my knowledge, information, and belief.

David S Cohen

May 29, 2009

David S Cohen

Date

Cohen, Rutherford + Knight

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the foregoing comments and attachments are true and correct to the best of my knowledge, information, and belief.

RJ Coughlan

Richard J. Coughlan

5/29/09

Date

Attachment 1

A spreadsheet profiling rooms and bed capacity

Clarksburg Community Hospital
Matter No. 09-15-2294

Location	Existing Physical Capacity					After Project Completion					
		Room Count			Bed Count		Room Count			Bed Count	
(Floor/Wing)	Hospital Service	Total Rooms	Semi-Private	Private	Physical Capacity	Hospital Service	Total Rooms	Semi-Private	Private	Physical Capacity	NOTES
2nd Floor						M/S	36		36	36	
2nd Floor (E)						ICU	10		10	10	
3rd Floor						M/S	36		36	36	
4th Floor						PostPart	18		18	18	
Total		0	0	0	0	Total	100	0	100	100	

Note: Physical capacity is the total number of beds that could be accommodated without significant renovations. A room with two headwalls and two sets of gasses is a semi-private room, even if it is typically set up and operated with only one bed. A room with one headwall and one set of gasses is counted as a private room, even if it is large enough, from a square footage perspective, to be used as a semi-private room, since renovation/construction would be required to convert it to semi-private use. If the hospital operates patient rooms that contain a single headwall that can be used to accommodate more than one patient (e.g., for psychiatric patients), report the physical capacity of such rooms as semi-private, and report the bed capacity as applicable.

Attachment 2

Corrected chart showing distribution of hospital area, by department and floor

Departmental Area: Hospital

The distribution of hospital area, by department and floor, is noted below:

Clarksburg Community Hospital
Departmental Gross Area

	Level DGSF Ground	First	Second	Third	Fourth	Totals
Ground Level						
Shell	5,140					5,140
Medical Records	1,328					1,328
Maintenance Dept	1,768					1,768
Pharmacy	3,096					3,096
Education Dept	2,280					2,280
Laboratory	4,320					4,320
Volunteers & Gift Shop	724	1,330				2,054
Security	544					544
IT	2,068	140				2,208
Body Storage & Family View	372					372
Environmental Services	2,078					2,078
Central Sterile Processing	4,880					4,880
Materials Management	3,642					3,642
Dietary	7,590					7,590
Human Resources	722					722
Administration & Medical Staff	5,462					5,462
First Floor						-
Emergency Dept		14,808				14,808
Imaging		12,956				12,956
Surgery		14,238				14,238
Recovery (stage I)		2,130				2,130
Prep / Hold (stage II)		6,260				6,260
Cardio-Pulmonary		2,390				2,390
Pre Admission Testing (PAT)		2,760				2,760
Admission / Registration		2,048				2,048
Chapel		880				880
Business Office Finance		360				360
Scheduling		998				998
Second Floor						
Critical Care Unit			4,989			4,989
Medical/Surgical Unit			17,862			17,862
Third Floor						
Medical/Surgical Unit				17,921		17,921
Fourth Floor						
Post Partum					8,289	8,289
Delivery Suite					5,150	5,150
L.D.R.'s					4,750	4,750
Totals	46,014	61,298	22,851	17,921	18,189	166,273

Attachment 3

Revised Chart 1

Chart 1. Project Construction Characteristics and Costs		
Base Building Characteristics	Complete if Applicable	
	New Construction	Renovation
Class of Construction		
Class A	X	
Class B		
Class C		
Class D		
Type of Construction/Renovation		
Low		
Average		
Good	X	
Excellent		
Number of Stories	5	
Total Square Footage	235,400	
Basement	73,540	
First Floor	73,540	
Second Floor	34,200	
Third Floor	26,070	
Fourth Floor	26,070	
Penthouse	1,980	
Perimeter in Linear Feet		
Basement	1,159	
First Floor	1,159	
Second Floor	968	
Third Floor	760	
Fourth Floor	760	
Penthouse	180	
Wall Height (floor to eaves)		
Basement	16'-0"	
First Floor	16'-0"	
Second Floor	13'-8"	
Third Floor	13'-8"	
Fourth Floor	13'-8"	
Penthouse	12'-0"	
Elevators		
Type *Passenger* *Visitor* *Freight*		
Number 2 2 2	6	
Sprinklers (Wet or Dry System)	Wet	
Type of HVAC System	Central	
Type of Exterior Walls	Brick	

Chart 1. Project Construction Characteristics and Costs (cont.)		
	Costs	Costs
Site Preparation Costs		$
Normal Site Preparation*	$407,250	
Demolition	$35,000	
Storm Drains	$471,000	
Rough Grading	$50,000	
Hillside Foundation	Not applicable	
Terracing	Not applicable	
Pilings	Not applicable	
Offsite Costs	$	$
Roads		
Utilities		
Jurisdictional Hook-up Fees		
Signs	$	
Landscaping	$	$

*As defined by Marshall Valuation Service. Copies of the definitions may be obtained by contacting staff of the Commission.

NOTE TO ADVENTIST

Site preparation costs for Chart I, as we understand MVS, are to include only those associated with the Building construction (not conventional site work). See also Project Budget and MVS analysis.

Attachment 4

Revised Project Budget

Clarksburg Community Hospital

CON Completeness Questions - Response to Questions 8, 10, 11, 12 and 13

PART II - PROJECT BUDGET - Revised

(INSTRUCTION: All estimates for 1.a.-e., 2.a.-h., and 3 are for current costs as of the date of application submission and should include the costs for all intended construction and renovations to be undertaken)

		Revision	$ Change	Original Submission
A.	Uses of Funds			
1.	Capital Costs			
	a. New Construction			
(1)	Building — Deflated at 2.5% per annum, 18 months, not compounded- reclassified $3,217,000 to inflation	$ 80,294,000	$ (3,217,000)	$ 89,000,000
	Reclassify Architect/Engineering Fees to Line 1a(5)		$ (8,900,000)	
	Net regrouping to details below		$ 3,411,000	
(2)	Fixed Equipment (Not Included in Construction)	-		-
(3)	Land Purchase	-		-
(4)	Site Preparation — Note: includes $270,000 landscaping	6,500,000	-	6,500,000
(5)	Architect/Engineering Fees — Reclassify Architect/Engineering Fees from Line 1a(1)	8,900,000	8,900,000	-
(6)	Permits, (Building, Utilities, Insurance, Etc.) — Note: Includes Connection Fees, APFO, Roads, Water Sewer of $1,792,000	3,746,000		3,746,000
	SUBTOTAL	$ 99,440,000	$ 194,000	$ 99,246,000
	b. Renovations			
(1)	Building & Fixed Equipment	$ -		$ -
(2)	Fixed Equipment (Not Included in Construction)			
(3)	Architect/Engineering Fees			
(4)	Permits, (Building, Utilities, Etc.)			
	SUBTOTAL	$ -	$ -	$ -
	c. Other Capital Costs			
(1)	Major Movable Equipment	20,165,000		20,165,000
(2)	Minor Movable Equipment — Description Changed	1,900,000		1,900,000
(3)	Contingencies — Deflated Building Component - reclassified to inflation	9,277,000	(225,000)	9,502,000
(4)	Other (Specify)			
	a. MIS/Signage/Security	1,424,000		1,424,000
	b. IT/Telephone Fit-Out	6,187,000		6,187,000
	c. Consulting Services	750,000		750,000
	d. Connection Fees, APFO, Roads, Water Sewer — Corrected summary total - component already included in Item 1a(6) above	-	(1,792,000)	1,792,000
	e. Other — Reclassified $1,688,000 to Building per response to Q. 13	-	(1,688,000)	1,688,000
	TOTAL CURRENT CAPITAL COSTS (A - C)	$ 139,143,000	$ (3,511,000)	$ 142,654,000
	d. Inflation Allowance — Reclassfied deflation from Buliding	6,957,000	3,217,000	3,446,000
	Reclassified deflation from Building contingency		225,000	
	Inflation Rounding		69,000	
	e. Capitalized Construction Interest (net)	15,939,540		15,939,540
	TOTAL PROPOSED CAPITAL COSTS (a-e)	162,039,540	-	162,039,540

2.	Financing Costs and Other Cash Requirements				
	a. Loan Placement Fees	$ -		$	-
	b. Bond Discount	-			-
	c. Bond Financing Expenses	8,750,000			8,750,000
	d. Legal Fees (Other)	-			-
	e. Printing	-			-
	f. Consultant Fees:	-			-
	CON Application Assistance	150,000			150,000
	Other (Specify)	-			-
	g. Liquidation of Existing Debt	-			-
	h. Debt Service Reserve Fund	8,195,000			8,195,000
	i. Principal Amortization	-			-
	Reserve Fund	-			-
	j. Other (Specify)	-			-
	HUD AMPO Fund	3,018,800			3,018,800
	TOTAL (a - j)	$ 20,113,800	$ -	$	20,113,800
3.	Working Capital Startup Costs/Transition Costs	$ 20,000,000	$ -	$	20,000,000
	TOTAL USES OF FUNDS (1 - 3)	**$ 202,153,340**	**$ -**	**$**	**202,153,340**
B.	**Sources of Funds for Project:**				
1.	Cash	$ 8,018,340		$	8,018,340
	Pledges: Gross $_____				
	less allowance for uncollectibles $0,				
2.	= $_____, NET	-			-
3.	Gifts, bequests	15,000,000			15,000,000
	Interest income (gross) On Trustee Funds				
4.	(Added to Capitalized Interest Fund)				-
5.	Authorized Bonds	159,135,000			159,135,000
6.	Working Capital Loan	20,000,000			20,000,000
7.	Grants or Appropriation				
	(a) Federal				
	(b) State				
	(c) Local				
8.	Other - Proceeds from Capital Lease Financings				
	rounding	-			
	TOTAL SOURCES OF FUNDS (1 - 9)	**$ 202,153,340**	**$ -**	**$**	**202,153,340**
		-	-		-

The $70,653,000 (Building - New Construction) excludes the following that are included in the CON Sources and Uses, Line A1a, Building - New Construction:

Building - New Construction (CON Completeness Question 23)		$	70,653,000
Construction upgrades - estimate	4,450,000		
LEED requirement	1,800,000		
LEED commissioning	993,000		
Low voltage wiring	650,000		
Mobile technology dock	63,000		
Add third service elevator	382,000		
Radiology rough-in and connections	290,000		
Tube system	300,000		
Site planning budget	385,000		
Site and geotechnical surveys	242,000		
Other miscellaneous	86,000		
	9,641,000		9,641,000
CON Sources & Uses Line A1a, Building - New Construction		$	80,294,000

Attachment 5

MSGA bed need projections

Clarksburg Community Hospital PSA 2017 MSGA BED NEED METHODOLOGY

Clarksburg PSA Discharges, Inpatient Days, ALOS for Age Groups 15-64 and 65+, Calendar Years 1997-2007

	Adult Population		CY Discharges		TOTAL	CY Inpatient Days		TOTAL	CY ALOS		USE RATE (discharges/1000 pop)		Annual Change Use Rate	Annual Change Use Rate	Annual Change ALOS	Annual Change ALOS
YEAR	15-64	65+	15-64	65+	DISCHARGES	15-64	65+	DAYS	15-64	65+	15-64	65+	15-64	65+	15-64	65+
1997	85,933	3,809	2,750	1,267	4,017	10,720	7,801	18,521	3.90	6.16	32.00	332.59				
1998	87,176	4,163	2,826	1,331	4,157	10,798	7,462	18,260	3.82	5.61	32.42	319.71	1.3%	-3.9%	-2.0%	-8.9%
1999	88,437	4,550	3,058	1,459	4,517	10,995	8,654	19,649	3.60	5.93	34.58	320.68	6.7%	0.3%	-5.9%	5.8%
2000	89,717	4,972	3,202	1,564	4,766	12,182	8,936	21,118	3.80	5.71	35.69	314.55	3.2%	-1.9%	5.6%	-3.7%
2001	91,015	5,434	3,289	1,806	5,095	12,138	9,922	22,060	3.69	5.49	36.14	332.36	1.3%	5.7%	-3.0%	-3.8%
2002	92,332	5,938	3,815	1,835	5,650	14,638	10,001	24,639	3.84	5.45	41.32	309.00	14.3%	-7.0%	4.0%	-0.8%
2003	93,668	6,490	3,827	1,993	5,820	14,572	10,699	25,271	3.81	5.37	40.86	307.09	-1.1%	-0.6%	-0.8%	-1.5%
2004	95,023	7,093	3,722	2,209	5,931	13,165	12,702	25,867	3.54	5.75	39.17	311.45	-4.1%	1.4%	-7.1%	7.1%
2005	96,398	7,751	3,990	2,171	6,161	14,610	10,826	25,436	3.66	4.99	41.39	280.09	5.7%	-10.1%	3.5%	-13.3%
2006	97,793	8,471	4,008	2,286	6,294	13,915	10,617	24,532	3.47	4.64	40.98	269.87	-1.0%	-3.6%	-5.2%	-6.9%
2007	99,208	9,257	4,360	2,455	6,815	16,488	11,740	28,228	3.78	4.78	43.95	265.19	7.2%	-1.7%	8.9%	3.0%
2008	100,643	10,117	4,569	2,627	7,196	17,106	12,272	29,378	3.74	4.67	45.40	259.62	3.3%	-2.1%	-1.0%	-2.3%
2009	102,078	10,977	4,787	2,790	7,577	17,743	12,735	30,478	3.71	4.56	46.90	254.17	3.3%	-2.1%	-1.0%	-2.3%
2010	103,534	11,909	5,016	2,963	7,979	18,404	13,216	31,620	3.67	4.46	48.44	248.83	3.3%	-2.1%	-1.0%	-2.3%
2011	105,011	12,921	5,255	3,148	8,403	19,090	13,715	32,804	3.63	4.36	50.04	243.61	3.3%	-2.1%	-1.0%	-2.3%
2012	106,508	14,019	5,506	3,343	8,849	19,801	14,233	34,033	3.60	4.26	51.69	238.49	3.3%	-2.1%	-1.0%	-2.3%
2013	107,820	14,415	5,758	3,366	9,123	20,499	13,998	34,497	3.56	4.16	53.40	233.48	3.3%	-2.1%	-1.0%	-2.3%
2014	109,358	15,640	6,032	3,575	9,607	21,263	14,526	35,789	3.52	4.06	55.16	228.58	3.3%	-2.1%	-1.0%	-2.3%
2015	110,917	16,969	6,320	3,797	10,118	22,055	15,075	37,130	3.49	3.97	56.98	223.78	3.3%	-2.1%	-1.0%	-2.3%
2016	112,499	18,410	6,622	4,033	10,655	22,877	15,644	38,520	3.45	3.88	58.86	219.08	3.3%	-2.1%	-1.0%	-2.3%
2017	114,104	19,975	6,938	4,284	11,222	23,729	16,234	39,963	3.42	3.79	60.81	214.48	3.3%	-2.1%	-1.0%	-2.3%
											Average Annual Change (5 year)		1.3%	-2.9%	-0.1%	-2.3%
											Average Annual Change (10 year)		3.3%	-2.1%	-0.2%	-2.3%

Bed Need for CCH PSA	15-64	65+	Total	ADC	Beds
2007 Days	16,488	11,740	28,228	77	103
2017 Population	114,104	19,975			
Use Rate	60.81	214.48			
ALOS	3.42	3.79			
Days	23,729	16,234	39,963	109	146
Additional Bed Need					43

Attachment 6

Revised MVS

	Marshall Valuation Service Analysis				
		Total Hospital	Hospital Components		
Project: Clarksburg Community Hospital 2009		New 100 Bed Hospital	Basement	Penthouse	Hospital
Date:					
a.	Class	A Good	A Good	A Good	A Good
b.	Type	Hospital	Hospital	Hospital	Hospital
c.	Stories	5	1	4	1
d.	Perimeter	961	1,159	180	912
e.	Average Wall Height (floor to floor)	15	16	12	14.25
f.	Square Footage	235,400	73,540	1,980	159,880
f.1	Average Area Per Floor	47,080	73,540	1,980	39,970
A.	Base Costs -As Outlined in Section 1, Page 11				
g.	Net Base Cost (15.24 or 26)	$ 306.33	$ 132.35	$ 67.77	$ 306.33
h.	elimination of HVAC cost for adjustment				
i./j.	HVAC add-on	0	0	0	0
k.	Total Base Cost	$ 306.33	$ 132.35	$ 67.77	$ 306.33
	Adjustment for Differential Cost by Department	1.00	1.00	1.00	1.00
	Adjusted Base Cost	$ 306.33	$ 132.35	$ 67.77	$ 306.33
B.	Additions				
l.	Elevator Add-on (if not in base)	0	0	0	0
m.	other	0	0	0	0
n.	subtotal	0	0	0	0
o.	Adjusted Base Cost	$ 306.33	$ 132.35	$ 67.77	$ 306.33
C.	Multipliers				
p.	Perimeter Multiplier (15.37)	0.900	0.885	1.075	0.905
r.	Height Multiplier (15.37)	1.069	1.092	1.000	1.05
t.	Multi-story Multiplier (15.19) (0.5%/lvl above 3)	1.010	1.000	1.000	1.005
	Multipliers (product)	0.971721	0.96642	1.075	0.955001
u.	Refined Square Foot Cost	$ 297.67	$ 127.91	$ 72.85	$ 292.55
D.	Lump Sums				
v.	Sprinkler Add-on (15.36)	588,500	183,850	4,950	399,700
	Elevator Basement Stops	79,750	79,750	-	0
	subtotal	668,250	263,600	4,950	399,700
	Lump sums per building square foot (235,400)	2.84	3.58	2.50	2.50
w.	subtotal	$ 300.51	$ 131.49	$ 75.35	$ 295.05
E.	Update/Location Multipliers				
x.	Update Modifier (99.3)	1.120	1.120	1.120	1.120
z.	Local Multiplier (99.8)	1.020	1.020	1.020	1.020
aa.	CC & Local Multipliers	1.1424	1.1424	1.1424	1.1424
bb.	Calculated MVS Building Cost Per Square Foot	$ 343.30	$ 150.21	$ 86.08	$ 337.06
14	Building Square Footage	235,400	73,540	1,980	159,880
15	MVS Building Costs	$ 80,812,383	$ 11,046,761	$ 170,444	$ 53,889,155
16	Final MVS Cost Per Square Foot	$ 343.30	$ 150.21	$ 86.08	$ 337.06
17	Project Costs As submitted	$ 357.08	$ 353.86	$ 151.84	$ 360.20
18	Over (Under)	$ 13.78	$ 203.65	$ 65.76	$ 23.14

Actual Project Cost	Total Hospital	Basement	Penthouse	Hospital
New Construction				
*Building	$70,653,000	$ 22,072,309	$ 194,278	$ 48,386,413
Fixed Equip	$0	$ -	$ -	$ -
**Site Prep	$6,230,000	$ -	$ -	$ 6,230,000
Architect Fees	$8,900,000	$ 2,780,399	$ 74,860	$ 6,044,741
Permits	$3,746,000	$ 1,170,267	$ 31,508	$ 2,544,225
subtotal	$89,529,000	$ 26,022,976	$ 300,646	$ 63,205,379
Extraordinary Adjustments				
Demolition	$35,000	0	0	$35,000
Rough Grading	$50,000	0	0	$50,000
Site Prep (non building)	$5,206,750	0	0	$5,206,750
Canopies	$264,290	0	0	$264,290
Helipad	$60,000	0	0	$60,000
total extraordianry adjustments	$5,616,040	0	0	$5,616,040
Adjusted Project Cost	$83,912,960	$26,022,976	$300,646	$57,589,339
per square foot cost (235,000 sf)	$357.08	$353.86	$151.84	$360.20

Footnotes:	
*The $70,653,000 (Building - New Construction) excludes the following that are included in the CON Sources and Uses, Line A1a(1), Building - New Construction:	
Building - New Construction (CON Completeness Question 23)	$70,653,000
Construction upgrades - estimate	$4,450,000
LEED requirement	$1,800,000
LEED commissioning	$993,000
Low voltage wiring	$650,000
Mobile technology dock	$63,000
Add third service elevator	$382,000
Radiology rough-in and connections	$290,000
Tube system	$300,000
Site planning budget	$385,000
Site and geotechnical surveys	$242,000
Other miscellaneous	$86,000
Subtotal	$9,641,000
CON Sources & Uses Line A1a(1), Building - New Construction	$80,294,000
**The $6,230,000 (Site Preparation) excludes the following that are included in the CON Sources and Uses, Line A1a(4), Site Preparation:	
Site Preparation (CON Completeness Question 23)	$6,230,000
Landscaping - extras	$270,000
CON Sources & Uses Line A1a(4), Building - New Construction	$6,500,000

Clarksburg Community Hospital

CON Completeness Questions - Question 26, Expenses

1 Salary Expense and Staffing:

Area/Position Title	Volume Statistic	Estimated Staffing - Comparison Group*	Reductions to Comparison Group Staffing	CCH FTEs - 2015	Average Salary- 2015***	Expense Total - 2015
		Year 2015	Year 2015			
Administration						
Hospital Administration	EIPDs	33.18	(8.98) **	24.20	$ 81,835	$ 1,980,400
Medical Staff Administration	EIPDs	2.50	(1.10)	1.40	$ 60,429	84,600
Nursing Administration	EIPDs	17.18	(1.38)	15.80	$ 84,038	1,327,800
Subtotal		52.86	(11.46)	41.40		3,392,800
Direct Care						
Patient Care - inpatient units RNs, LPNs, patient care techs	EIPDs/ Patient Days	155.65	(1.15)	154.50	$ 55,797	8,620,600
Patient Care - ancillary services technicians & specialties	EIPDs/ Patient Days	221.38	(52.68) **	168.70	$ 66,561	11,228,800
Subtotal		377.03	(53.83)	323.20		19,849,400
Support						
Support Services Plant, Purchasing, Dietary, Patient Accounts, Fiscal, Medical Records etc.	EIPDs	171.73	(59.81) **	111.92	$ 42,573	4,764,800
Subtotal		171.73	(59.81)	111.92		4,764,800
TOTAL FTEs (paid)		**601.62**	**(125.10)**	**476.52**	58,800	$ 28,007,000

* Based upon information derived from the June 30, 2008 HSCRC Annual Filings for comparative hospitals (St. Mary's, Calvert Memorial, Civista, Easton and Cecil), adjusted for CCH projected volumes in 2015.

**Reflects no lab FTEs due to outsourced lab contract. Also, reflects levels for expected services to be provided by AHC Support Center.

***Based upon Shady Grove Adventist Hospital 2007 HSCRC Annual Filing, increased for 2008 inflation and decreased to normalize to Upper Montgomery County/Frederick County market area, resulting in an overall Average Salary/FTE of $58,800.

SUMMARY OF PROJECTED 2015 FTE STATISTIC:

Clarksburg Community Hospital

CON Projected FTE Statistics - Year 2015, Ramp Up Period Completed in 2014

	2015
Total FTEs	476.52
Equivalent Inpatient Days (EIPDs)	38,397
FTE per average daily census - occupied bed	6.01
FTEs per adjusted occupied bed (EIPDs)	4.53

Clarksburg Community Hospital

CON Completeness Questions - Question 26, Expenses

2 Employee Benefits - Projected at 19% of Salary Expense, based upon recent historical experience fort Adventist HealthCare, Inc.

3 Agency fees - Projected based upon comparison to a Maryland hospital of comparable configuration and volume level, adjusted for volume differences (EIPDs).

4 Contracted Services - Projected based upon comparison to a Maryland hospital of comparable configuration and volume level, adjusted for volume differences (EIPDs).

5 Supplies - Projected based upon comparison to a Maryland hospital of comparable configuration and volume level, adjusted for volume differences (EIPDs).

Also, adjusted for CMI differences, removal of lab supplies (to be provided through outsourced contract at CCH) and expected purchasing credits as a result of CCH participating in a hospital system purchasing group.

6 Outsourced lab services - Projected based upon projected lab CCH volumes and pricing similar to Adventist HealthCare, Inc. existing contracts for other hospitals.

7 Professional fees - Projected based upon specific assumed levels of physician coverage for physician specialities including anesthesia, obstetrics and hospitalists.

8 Insurance - Projected based upon Adventist HealthCare, Inc. recent historical experience for current insurance coverage and CCH projected activity.

9 Utilities - Projected based upon recent historical experience at Shady Grove Adventist, adjusted for differents in gross square footage and CCH occupancy.

10 Administrative/General - Projected based upon comparison to a Maryland hospital of comparable configuration and volume levels, and adjusted for expected shared expenses from Adventist HealthCare, Inc. support center.

Attachment 8

Staffing and expense information for Standard .04(5)

CCH Staffing CY 2015 Projection - Final Year of Projections - Fully Ramped Up - Standard .04(5)

FTE Category	Clinical Staff (Paid FTEs) L&D	OB	Nursery	OB Clinic	Subtotal		Average Salary per Paid FTE 2009 $'s	TOTAL EXPENSE
RNs, clinicial ladder RNs	7.97	7.63	10.44	1.34	27.38	$	75,566	2,068,871
Charge Nurse RN	0.80	0.93	1.13	-	2.86	$	92,864	265,332
Patient Care Techs	2.19	1.89	0.36	-	4.44	$	38,561	171,031
Physician Assistant	-	-	-	-	-	$	-	-
Lactation tech	-	0.39	0.16	-	0.55	$	80,133	44,467
Director/Administrator	-	-	-	-	-	$	-	-
Nurse Manager	0.17	0.20	0.24	-	0.61	$	95,768	58,219
Assistant Nurse Manager	-	-	-	-	-	$	-	-
Case Manager	0.17	-	-	-	0.17	$	80,508	13,758
Unit Support Coordinators	1.08	2.42	1.44	0.67	5.61	$	35,627	199,704
Contract labor - RN	-	-	0.24	-	0.24	$	131,320	31,509
TOTAL	12.38	13.45	14.01	2.01	41.85			2,852,892

Attachment 9

Table 4 for Standard (8)

Clarksburg Community Hospital

CON Completeness Questions - Question 33, Projected Revenue and Expenses - OB and Newborn

Projected for the Years Ending December 31,

	2013	2014	2015	Assume 1,000 OB Cases 2015
1. Revenue				
a. Inpatient	$ 10,131	$ 12,187	$ 13,576	$ 8,023
b. Outpatient	-	-	-	-
c. Gross patient service revenue	10,131	12,187	13,576	8,023
Uncompensated care - combined				
d. bad debt and charity	(507)	(609)	(679)	(401)
e. Contractual allowance	(304)	(366)	(407)	(241)
f. Charity care - included in item d above				
g. Net patient service revenue	9,320	11,212	12,490	7,381
Other operating revenue				
h. (Specify):				
Other operating revenue	201	302	436	258
Investment income	76	45	76	45
Interest income-trustee funds	50	50	50	50
I. Net operating revenue	$ 9,647	$ 11,609	$ 13,052	$ 7,734
2. Expenses				
Salaries, wages, (including fringe benefits				
a. and agency expense)	4,084	4,567	5,016	3,445
b. Contracted services	488	580	638	377
c. Interest on current debt				
d. Interest on project debt - including MIP	1,253	1,253	1,253	1,253
d. Interest on project debt - working capital	70	70	70	70
e. Current depreciation	-	-	-	-
f. Project depreciation	1,072	1,072	1,072	1,072
g. Current amortization				
h. Project amortization	46	46	45	45
I. Supplies	505	608	677	400
j. Other expenses:				
Professional fees - physician coverage	700	700	700	500
Insurance	40	50	54	32
Utilities	320	345	363	310
Land rent expense	63	63	63	63
Administrative/general	456	539	591	349
k. Total operating expenses	$ 9,097	$ 9,893	$ 10,542	$ 7,916
3. Income				
a. Income from operations	$ 550	$ 1,716	$ 2,510	$ (182)
b. Nonoperating income/expense:				
Investment income				
Unrestricted contributions	150	200	250	250
Other				
c. Subtotal	700	1,916	2,760	68
d. Income Taxes				
e. Net Income (Loss)	$ 700	$ 1,916	$ 2,760	$ 68

Clarksburg Community Hospital

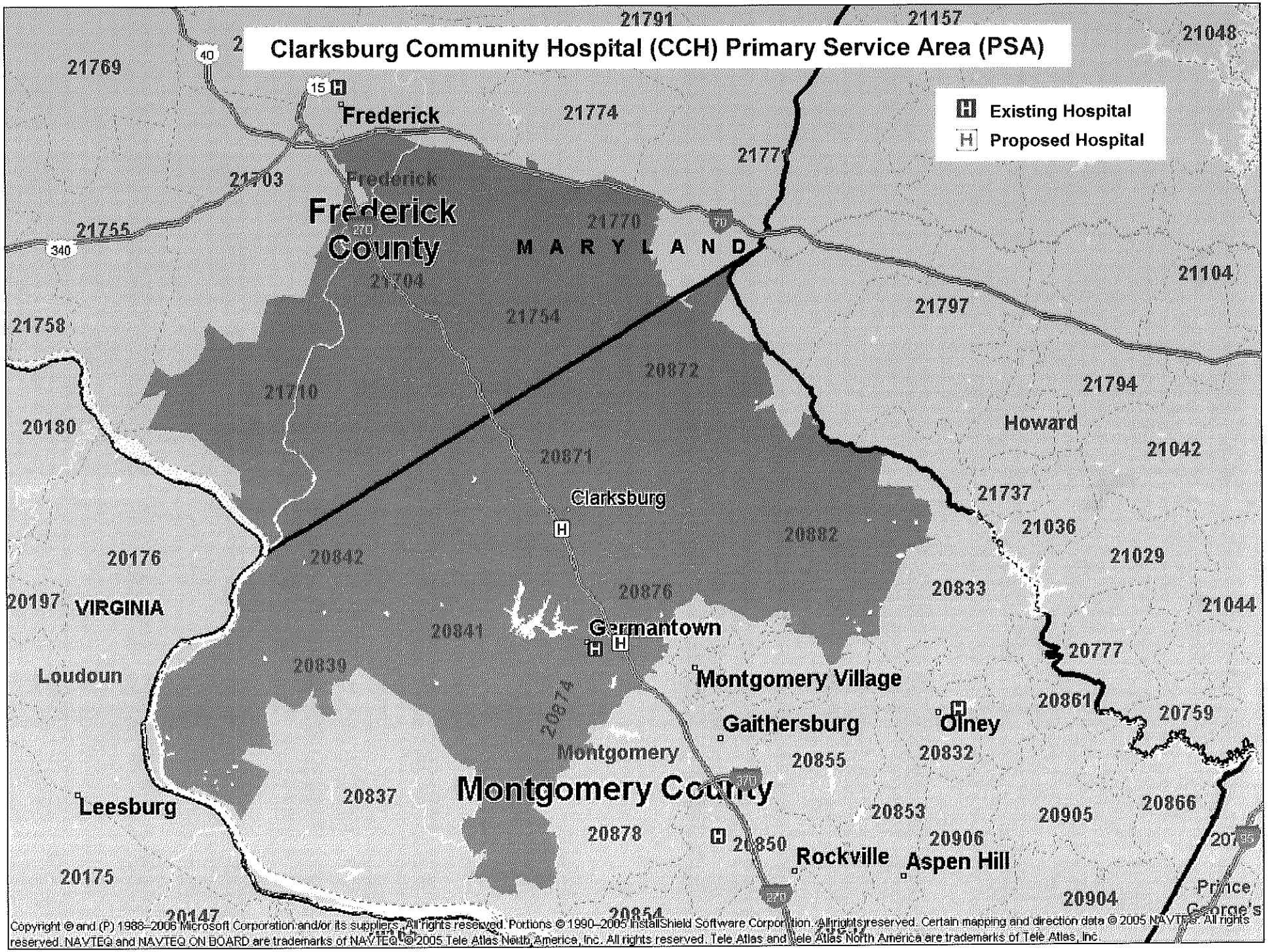
CON Completeness Questions - Question 33, Projected Revenue and Expenses - OB and Newborn

Projected for the Years Ending December 31,

	2013	2014	2015	Assume 1,000 OB Cases 2015
Inpatient Volumes:				
Discharges:				
OB	1,263	1,519	1,692	1,000
Normal Newborn	1,212	1,458	1,624	960
	2,475	2,977	3,316	1,960
Patient Days:				
OB	3,538	4,256	4,741	2,802
Normal Newborn	3,116	3,749	4,175	2,467
	6,654	8,005	8,916	5,269
Case Mix Index:				
OB	0.592635	0.592635	0.592635	0.592635
Normal Newborn	0.221000	0.221000	0.221000	0.221000
No Outpatient Activity Included				
Revenue Assumptions:				
Inpatient Charge per Case - includes outliers, MHIP, etc.	$ 9,969	$ 9,969	$ 9,969	$ 9,969
Deductions from Revenue - % of GPSR				
Uncompensated Care (combined bad debt/charity)	5.00%	5.00%	5.00%	5.00%
Contractual Allowances	3.00%	3.00%	3.00%	3.00%
Other Operating Revenue - 67% of Total	67.0%	67.0%	67.0%	67.0%
Investment income - % OB GPSR	17.45%	17.10%	16.75%	10.67%
Interest income-trustee funds - % Total Project SF	11.07%	11.07%	11.07%	11.07%
Expense Assumptions:				
FTEs per OB occupied beds	5.60	5.30	5.20	6.00
Average Salary per FTE (related to OB/NB)	$ 62.4	$ 62.4	$ 62.4	$ 62.4
Benefits as a % of Salaries	19.00%	19.00%	19.00%	19.00%
Contracted Services - % of GPSR	4.82%	4.76%	4.70%	4.70%
Supplies - $'s per OB case	$ 400	$ 400	$ 400	$ 400
Other Expenses:				
Professional fees - physician coverage	$ 700	$ 700	$ 700	$ 500
Insurance - % GPSR	0.39%	0.41%	0.40%	0.40%
Utilities - % of Total Project SF	11.07%	11.07%	11.07%	11.07%
Land rent expense - % of GPSR	0.62%	0.52%	0.47%	0.79%
Administrative/general - % of GPSR	4.50%	4.43%	4.36%	4.36%
Depreciation Expense - % of Total Project SF	11.07%	11.07%	11.07%	11.07%
Amortization Expense - % of Total Project SF	11.07%	11.07%	11.07%	11.07%
Interest Expense - % of Total Project SF	11.07%	11.07%	11.07%	11.07%
Unrestricted Contributions - % of Total Project SF	50.00%	50.00%	50.00%	50.00%

Attachment 10

Updated service area maps



Attachment 11

AHC Audited financial statements

Adventist HealthCare, Inc.

Consolidated Financial Statements
For The Years Ended
December 31, 2008 and 2007
& Independent Auditors' Report
& Additional Information

Table of Contents

PARENTERANDOLPH

The Power of Ideas

Independent Auditors' Report

Board of Trustees
Adventist HealthCare, Inc.

We have audited the accompanying consolidated balance sheets of Adventist HealthCare, Inc. and controlled entities (the "Corporation") as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adventist HealthCare, Inc. and controlled entities as of December 31, 2008 and 2007, and the results of their operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 to the consolidated financial statements, the Corporation adopted the provisions of Statement of Financial Accounting Standards Nos. 157 and 159 in 2008.

Parente Randolph, LLC

Wilkes-Barre, Pennsylvania
May 13, 2009

Adventist HealthCare, Inc.
Consolidated Balance Sheets
December 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,671,658	$ 11,893,028
Short-term investments	139,716,446	150,853,703
Assets whose use is limited	8,820,090	8,853,524
Patient accounts receivable, net of estimated allowances of $64,588,000 in 2008 and $54,249,000 in 2007	115,357,553	108,693,258
Other receivables, net of estimated allowance for uncollectible accounts of $1,286,000 in 2008 and $1,450,000 in 2007	9,633,899	11,570,622
Inventories	10,800,753	10,847,799
Prepaid expenses and other current assets	3,548,970	3,947,675
TOTAL CURRENT ASSETS	**303,549,369**	**306,659,609**
PROPERTY AND EQUIPMENT, Net	385,618,363	373,421,840
ASSETS WHOSE USE IS LIMITED:		
Under trust indentures, held by trustees	18,196,283	12,455,223
Professional liability trust fund	6,188,516	11,592,512
Deferred compensation fund	1,241,374	3,978,908
CASH AND CASH EQUIVALENTS TEMPORARILY RESTRICTED FOR CAPITAL ACQUISITION	2,456,183	1,279,886
INVESTMENTS AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	11,559,207	11,066,870
LAND HELD FOR HEALTHCARE DEVELOPMENT	55,813,484	47,323,506
DEFERRED FINANCING COSTS, Net	4,397,100	4,573,968
INTANGIBLE ASSETS, Net	7,968,423	8,403,860
DEPOSITS AND OTHER NONCURRENT ASSETS	9,113,310	11,439,474
TOTAL	$ 806,101,612	$ 792,195,656

See Notes to Consolidated Financial Statements

Adventist HealthCare, Inc.
Consolidated Balance Sheets
December 31, 2008 and 2007

	2008	2007
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 66,089,839	$ 69,171,238
Accrued compensation and related items	33,046,052	28,483,950
Interest payable	1,266,196	1,589,984
Due to third party payors	16,581,868	13,782,996
Estimated self-insured professional liability	1,185,808	1,411,795
Short-term financing	20,000,000	-
Current maturities of long-term obligations	81,075,497	15,159,177
TOTAL CURRENT LIABILITIES	**219,245,260**	**129,599,140**
CONSTRUCTION PAYABLE	1,429,678	10,236,918
LONG-TERM OBLIGATIONS, Net:		
Bonds payable	196,903,411	268,908,628
Notes payable	89,619,959	65,100,626
Capital lease obligations	22,231,317	20,964,945
DERIVATIVE FINANCIAL INSTRUMENTS	23,206,843	4,511,329
DEFERRED COMPENSATION	1,241,484	3,978,970
OTHER LIABILITIES	5,708,439	5,195,569
ESTIMATED SELF-INSURED PROFESSIONAL LIABILITY	7,146,732	9,916,023
TOTAL LIABILITIES	**566,733,123**	**518,412,148**
NET ASSETS:		
Unrestricted	229,318,759	263,751,592
Temporarily restricted	9,715,879	9,925,378
Permanently restricted	333,851	106,538
TOTAL NET ASSETS	239,368,489	273,783,508
TOTAL	**$ 806,101,612**	**$ 792,195,656**

See Notes to Consolidated Financial Statements

Adventist HealthCare, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2008 and 2007

	2008	2007
UNRESTRICTED REVENUES:		
Net patient service revenue	$ 774,014,846	$ 725,764,577
Other revenue	40,425,837	40,894,345
TOTAL UNRESTRICTED REVENUES	814,440,683	766,658,922
EXPENSES:		
Salaries and wages	334,836,121	313,528,051
Employee benefits	65,229,075	61,561,643
Contract labor	32,400,235	33,733,108
Medical supplies	119,372,823	117,269,272
General and administrative	114,109,674	106,938,299
Building and maintenance	42,250,054	39,932,983
Insurance	2,021,391	5,605,356
Provision for uncollectible accounts	43,302,605	41,368,588
Interest	14,526,306	13,801,594
Depreciation and amortization	33,655,370	30,870,173
Loss on impairment of long-lived assets	-	1,072,347
TOTAL EXPENSES	801,703,654	765,681,414
INCOME FROM OPERATIONS	12,737,029	977,508
OTHER INCOME (EXPENSE):		
Investment (loss) income	(21,052,090)	10,377,621
Other income	746,108	14,535,438
TOTAL OTHER (EXPENSE) INCOME	(20,305,982)	24,913,059
PORTION OF EARNINGS RELATED TO MINORITY INTEREST	(124,523)	(3,769,034)
REVENUES (LESS THAN) IN EXCESS OF EXPENSES	(7,693,476)	22,121,533
Change in net unrealized gains and losses on investments other than trading securities	(11,489,990)	5,047,791
Change in unrealized loss on derivative financial instruments	(17,552,352)	(4,104,863)
Transfer to unconsolidated subsidiary	(19,260)	8,821
Net assets released from restriction for purchase of property and equipment	2,325,529	3,642,675
Change in minority interest	(16,459)	125,309
Other unrestricted net asset activity	13,175	(508,630)
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (34,432,833)	$ 26,332,636

Adventist HealthCare, Inc.

Consolidated Statements of Changes in Net Assets

For The Years Ended December 31, 2008 and 2007

	2008	2007
UNRESTRICTED NET ASSETS:		
Revenues (less than) in excess of expenses	$ (7,693,476)	$ 22,121,533
Change in net unrealized gains and losses on investments other than trading securities	(11,489,990)	5,047,791
Change in unrealized loss on derivative financial instruments	(17,552,352)	(4,104,863)
Transfer to unconsolidated subsidiary	(19,260)	8,821
Net assets released from restriction for purchase of property and equipment	2,325,529	3,642,675
Change in minority interest	(16,459)	125,309
Other unrestricted net asset activity	13,175	(508,630)
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(34,432,833)	26,332,636
TEMPORARILY RESTRICTED NET ASSETS:		
Restricted gifts and donations	6,640,938	3,690,771
Net assets released from restriction for purchase of property and equipment	(2,325,529)	(3,642,675)
Net assets released from restriction used for operations	(3,173,025)	(770,364)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(349,380)	13,110
Change in discount of pledges receivable and provision for doubtful pledges	(982,622)	128,067
Donor restricted investment (loss) income	(19,881)	227
Other temporarily restricted net asset activity	-	(76,367)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(209,499)	(657,231)
PERMANENTLY RESTRICTED NET ASSETS,		
Other permanently restricted net asset activity	227,313	106,538
(DECREASE) INCREASE IN NET ASSETS	(34,415,019)	25,781,943
NET ASSETS, BEGINNING	273,783,508	248,001,565
NET ASSETS, ENDING	$ 239,368,489	$ 273,783,508

See Notes to Consolidated Financial Statements

Adventist HealthCare, Inc.
Consolidated Statements of Cash Flows
For The Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ (34,415,019)	$ 25,781,943
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Provision for uncollectible accounts	43,302,605	41,368,588
Depreciation and amortization	33,655,370	30,870,173
Loss on impairment of long lived assets	-	1,072,347
Gain on sale of property and equipment	(5,097)	(10,407,304)
Restricted contributions and grants	(6,245,841)	(5,664,344)
Reclassification of minority interest	-	(1,800,590)
Change in minority interest	-	412,186
Distribution to minority interest shareholders	-	1,565,000
Earnings recognized from unconsolidated subsidiaries and affiliates	(3,593,807)	(2,386,153)
Amortization of bond discounts	9,790	9,790
Amortization of physician income guarantees	481,508	621,991
Other net asset activity	-	573,743
Change in unrealized gains and losses on investments other than trading securities	11,592,402	(5,047,791)
Change in net unrealized loss on derivative financial instruments	18,695,514	2,653,516
Change in fair value of charitable remainder trusts and obligations to annuitants	349,380	(208,482)
Change in discount on pledges receivable and provision for doubtful pledges	(104,895)	(128,067)
Changes in assets and liabilities:		
Patient accounts receivable, net	(49,815,270)	(42,500,159)
Other receivables, net	1,822,548	3,804,213
Inventories, prepaid expenses and other current assets	(565,105)	53,194
Accounts payable and accrued expenses	(2,754,691)	(1,170,419)
Accrued compensation and related items	4,746,933	2,643,233
Interest payable	(323,788)	(67,167)
Estimated self-insured professional liability	2,634,705	(1,109,710)
Due to third party payors	2,798,872	(2,929,881)
Other noncurrent assets and liabilities	865,055	(3,782,927)
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,131,169	34,226,923

(Continued)

Adventist HealthCare, Inc.
Consolidated Statements of Cash Flows - Continued
For The Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	$ (51,955,097)	$ (58,133,106)
Payments to physicians under income guarantees	(100,228)	(644,298)
Increase in investments and investments in unconsolidated subsidiaries	(2,218,620)	(7,835,533)
Net additions to land held for healthcare development	(8,489,978)	(4,794,631)
Proceeds from the sale of property and equipment	5,097	15,498,855
Distributions from investments in unconsolidated subsidiaries	5,055,768	(1,163,080)
(Increase) decrease in trustee held funds/restricted cash	(7,460,217)	11,154,231
NET CASH USED IN INVESTING ACTIVITIES	(65,163,275)	(45,917,562)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of financing costs	(122,122)	(196,237)
Repayments on long-term obligations, net	(15,487,983)	(10,550,898)
Proceeds from issuance of long-term obligations, net	35,175,000	6,611,407
Proceeds from short-term financing	20,000,000	5,050,000
Distribution of minority interest holders	-	(1,565,000)
Transfers in connection with sale of investments	-	(49,471)
Proceeds from restricted contributions and grants	6,245,841	5,664,344
NET CASH PROVIDED BY FINANCING ACTIVITIES	45,810,736	4,964,145
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,778,630	(6,726,494)
CASH AND CASH EQUIVALENTS, BEGINNING	11,893,028	18,619,522
CASH AND CASH EQUIVALENTS, ENDING	$ 15,671,658	$ 11,893,028
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 12,989,980	$ 11,973,747
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligation incurred for equipment	$ 1,961,966	$ 6,609,784
Construction payable for property and equipment	$ 1,429,678	$ 13,823,900

See Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Adventist HealthCare, Inc. (AHC) is a nonstock membership corporation organized to effectuate coordinated administration of hospitals and other health care organizations through the provision of key management and administrative services. AHC is tax-exempt under Section 501(c) (3) of the Internal Revenue Code. AHC is not exempt from income taxes for unrelated business income. AHC's sole corporate member is Mid-Atlantic Adventist HealthCare, Inc. (MAAHC).

AHC is comprised of several operating divisions. Shady Grove Adventist Hospital (SGAH) is a 293-bed acute care hospital located in Rockville, Maryland. Washington Adventist Hospital (WAH) is a 292-bed acute care hospital with 22 acute rehabilitation beds located in Takoma Park, Maryland. Potomac Ridge Behavioral Health (Potomac Ridge) is comprised of three separate facilities located in Maryland. Potomac Ridge Behavioral Health at Rockville is a 97-bed psychiatric hospital with 82 residential treatment rooms. Potomac Ridge Behavioral Health at Eastern Shore is the region's only acute care and residential mental health resource for children and adolescents, which has 15 acute care psychiatric beds and 59 residential treatment rooms. Potomac Ridge Behavioral Health at Anne Arundel offers 28 adolescent residential treatment beds, 18 group home beds for adolescent males, and 65 slots for special and general education for adolescents with emotional and behavioral disabilities. The Support Center is comprised of the corporate office that provides corporate and centralized shared service functions that benefit the entire healthcare system. The Support Center is comprised of the following units: Adventist Preferred Nursing (APN), Adventist Choice Nursing (ACN), Adventist Home Assistance (AHA) and the AHC Benefit business unit. APN maintains and manages a pool of skilled nurses that provide services to affiliated healthcare entities for a fee. ACN provides skilled nursing care to individual patients and other healthcare entities not affiliated with AHC. AHA provides non-clinical assistance to homebound patients who cannot perform certain daily activities on their own. The AHC Benefit business unit administers the self insured health benefit program including health insurance, dental and vision coverage for Adventist HealthCare, Inc. and controlled entities.

Hackettstown Community Hospital d.b.a. Hackettstown Regional Medical Center (HRMC) is a 111-bed not-for-profit acute care hospital organized under the laws of the State of New Jersey. The primary purpose of HRMC is to participate in the health ministry of the Seventh-day Adventist Church and to promote the wholeness of man physically, mentally and spiritually through acute care hospital services. HRMC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Adventist Rehabilitation Hospital of Maryland, Inc. (ARHM) is a 55-bed rehabilitation facility with outpatient services sites in Montgomery County, Maryland. ARHM is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

The Reginald S. Lourie Center for Infants and Young Children (Lourie Center) is a not-for-profit organization that specializes in the diagnosis, treatment and prevention of developmental and emotional disorders in children from birth through ten years of age. The Lourie Center is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Adventist Physician Services, Inc. (APS) is a not-for-profit entity that provides physician professional health services to further provide necessary services to the communities it serves.

Adventist Senior Living Services, Inc. (ASLS) is a nonstock membership corporation that provides management and support services to five subsidiary nursing homes, a wholly-owned dialysis center, and one affiliated nursing home. The facilities' residents primarily come from the State of Maryland. ASLS and its subsidiary nursing homes are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Adventist Home Health Services, Inc. (AHHS) is a nonstock membership corporation organized to provide home health services in Maryland. It is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Adventist Management Services, Inc. (AMSI) is organized as a taxable corporation to provide management services to its subsidiaries that provide various health care services including, but not limited to a wholly-owned healthcare recruitment organization, GROW HealthCare, LLC.

Adventist Cardiac Services, Inc. (ACS) has been established to administer global contracts with third-party payers for the provision of cardiac care to patients who receive certain services at WAH. The global contracts administered by ACS were terminated in September 2006. Articles of dissolution were filed with the State of Maryland Department of Assessments and Taxation in November 2007.

Washington Adventist Hospital Foundation, Inc. (WAH Foundation), Shady Grove Adventist Hospital Foundation, Inc. (SGAH Foundation), Hackettstown Community Hospital Foundation, Inc. (HCH Foundation), and Potomac Ridge Behavioral Health Foundation (Potomac Ridge Foundation) (collectively the "Foundations") are separate nonstock corporations that operate for the furtherance of each named hospital's health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundations also exist to help fund new equipment purchases and capital improvement projects for their respective hospitals.

Principles of Consolidation

The consolidated financial statements for 2008 and 2007 include the accounts of AHC, the controlling parent, HRMC, ARHM, the Lourie Center, APS, ASLS, AHHS, AMSI, ACS, the Foundations, and their majority-owned subsidiaries and controlled affiliates (collectively the "Corporation"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Factors

The Corporation's ability to maintain and/or increase future revenues could be adversely affected by: (1) proposed and/or future changes in the laws, rules, regulations, and policies relating to the definition, activities, and/or taxation of not-for-profit tax-exempt entities; (2) the enactment into law of all or any part of the current budget resolutions under consideration by Congress related to Medicare and Medicaid reimbursement methodology and/or further reductions in payments to hospitals and other health care providers; (3) the limited supply of physicians and healthcare professionals nationally which may limit the Corporation's ability to meet the healthcare demands of the population within its primary and secondary service areas; and (4) the future of Maryland and New Jersey's Certificate of Need (CON) programs, where future deregulation could result in the entrance of new competitors, or future additional regulation may eliminate the Corporation's ability to expand new services.

The Joint Commission on Accreditation of Healthcare Organizations (JCAHO), a non-governmental privately owned entity, provides accreditation status to hospitals and other health care organizations in the United States of America. Such accreditation is based upon a number of requirements such as undergoing periodic surveys conducted by JCAHO personnel. Certain managed care payers require hospitals to have appropriate JCAHO accreditation in order to participate in those programs. In addition, the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services (CMS), the agency with oversight of the Medicare and Medicaid programs, provides "deemed status" for facilities having JCAHO accreditation. By being JCAHO accredited, facilities are "deemed" to be in compliance with the Medicare and Medicaid conditions of participation. Termination as a Medicare provider or exclusion from any or all of these programs/payers would have a materially negative impact on the future financial position, operating results and cash flows of the Corporation. SGAH, WAH, HRMC, Potomac Ridge, and ARHM have received full accreditation for 2008 and 2007.

Maryland Health Services Cost Review Commission

Patient charges of SGAH, WAH, Potomac Ridge and ARHM (Hospitals) are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC). Management has filed the required reports with the HSCRC for each facility and believes they are in compliance with the HSCRC requirements.

The HSCRC has placed into its methodology a rate system which, among other things, causes SGAH, WAH, and Potomac Ridge to calculate the amount of revenue lost or gained due to variances from approved rates (price variances). Revenue lost due to undercharges in rates is recouped through increases in prospective rates. Similarly, revenue gained due to overcharges in rates is paid back, wholly or in part, through reductions in prospective rates.

Effective July 1, 2000, SGAH and WAH entered into agreements with the HSCRC to participate in a new methodology regarding inpatient rates. This new Charge per Case (CPC) methodology rewards hospitals for reducing utilization per case (case mix adjusted) and penalizes hospitals for increasing utilization per case (case mix adjusted). Variances between actual revenue and allowed CPC revenue are adjusted in a manner similar to that described above. Adjustments caused by these variances are applied by the HSCRC prospectively in connection with the calculation of the annual inflation adjustment and, accordingly, impact a year subsequent to the year in which such variances occur. The Corporation's consolidated financial statements reflect current year undercharges and/or overcharges for inpatient services as a component of net patient service revenue in the year such variances occurred. Undercharges and overcharges related to outpatient services are handled and reported in a similar manner.

The Corporation reported net overcharges of $1,023,956 and $1,484,926 as of December 31, 2008 and 2007, respectively. These overcharges reflect (1) the variance between actual patient charges and the Hospital's respective rate orders, and (2) a provision for expected rate adjustments related to the case mix experience of WAH and SGAH. Overcharges are reported as a reduction to net patient service revenue and the patient accounts receivable balance. Since the HSCRC's rate year extends from July 1 through June 30, these overcharges will continue to fluctuate until the end of the rate year, at which time any over/under charges are amortized on the straight-line basis over the following rate year, and are reflected as a component of net patient service revenue.

Under Maryland law, charges of ARHM are subject to review and approval by the HSCRC. HSCRC regulations also include a provision whereby a hospital may apply for an exemption from HSCRC's requirements to charge for services in accordance with HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients and the level of total revenue must be met to receive the initial exemption and must be met each year thereafter. Reporting requirements as established by the HSCRC continue if an exemption regarding charging for services is received. The Corporation's management believes ARHM met the conditions for exemption for 2008 and 2007.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and certificates of deposit purchased with original maturities of less than 90 days, excluding assets whose use is limited.

Patient Accounts Receivable

Patient accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for uncollectible accounts is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Other Receivables

Other receivables represent amounts due to the Corporation for charges other than providing health care services to patients and pledges from donors. These services include but are not limited to fees from educational programs, rental of health care facility space, interest earned, and management services provided to unconsolidated subsidiaries. Other receivables are written off when they are determined to be uncollectible based on management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon historical collection experience and other managerial information.

Assets Whose Use Is Limited

Assets whose use is limited includes assets held by bond trustees under trust indentures, assets set aside as required by the Corporation's self-funded professional liability trust, and deferred compensation agreements. Amounts available to meet current liabilities of the Corporation have been reclassified as current assets in the accompanying consolidated balance sheets.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Cash and cash equivalents and certificates of deposit are carried at cost which approximates fair value. Investment income or loss (including realized gains and losses on investments, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the determination of revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the determination of revenues (less than) in excess of expenses unless the investments are trading securities. Donor-restricted investment income is reported as an increase in temporarily restricted net assets.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Inventories

Inventories of drugs and medical and surgical supplies are valued at the lower of cost or market. Cost is determined primarily by the weighted average cost method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets (which ranges from 3 to 40 years) using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2008 and 2007, SGAH, WAH and HRMC capitalized interest in conjunction with construction projects. Interest incurred by these three entities (exclusive of letter of credit and remarketing fees) was approximately $9,866,000 in 2008 and $11,402,000 in 2007, of which approximately $2,395,000 was capitalized in 2008 and $3,516,000 in 2007. Investment earnings of approximately $307,000 in 2008 and $442,000 in 2007 were offset against the capitalized interest. ASLS incurred interest costs related to borrowed funds for construction on certain facilities. The total incurred by these facilities related to borrowed funds for construction in 2008 was approximately $834,000, of which $126,000 was capitalized, net of investment earnings of approximately $22,000. In addition, the Corporation capitalizes all of the interest incurred on the $20,000,000 line of credit that has funded the acquisition of land held for healthcare development (*Note 8*). Capitalized interest related to this line of credit was approximately $783,000 in 2008 and $1,143,000 in 2007.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment losses are recognized in the consolidated statements of operations as a component of revenues in excess of expenses as they are determined. The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Corporation calculates the estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There was no impairment loss reported in 2008, however the Corporation recognized an impairment loss of $1,072,347 in 2007 *(Note 6)*.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing the goodwill that has been recognized related to certain business acquisitions over a period not to exceed 40 years. Amortization of goodwill and other intangible assets was $ 370,766 in 2008 and $264,917 in 2007. Accumulated amortization of goodwill and other intangible assets was $1,017,044 in 2008 and $646,278 in 2007.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term obligations have been deferred and are being amortized over the term of the related obligation using the straight-line method. Amortization was $298,991 in 2008 and $308,878 in 2007. Accumulated amortization of deferred financing costs was $1,886,961 in 2008 and $1,587,970 in 2007.

Due to Third Party Payers

The Corporation receives advances from third party payers to provide working capital for services rendered to the beneficiaries of such services. These advances are subject to periodic adjustment, and are principally determined based on the timing difference between the provision of care and the anticipated payment date of the claim for service in accordance with HSCRC's rate regulations.

For HRMC, the Medicare and Medicaid programs pay for primarily all inpatient and outpatient services at predetermined rates. Regulations require annual retroactive settlements for cost-based reimbursement through cost reports filed by HRMC. These retroactive settlements are estimated and recorded in the financial statements in the year in which they occur. The estimated settlements recorded at December 31, 2008 and 2007 could differ from actual settlements based on the results of cost report audits.

For certain Corporation subsidiaries, services provided on behalf of Medicare and Medicaid beneficiaries are ultimately reimbursed at cost. For cost reimbursement programs, statements of reimbursable costs are filed with the applicable program that compute the difference between reimbursable cost and interim payments, in order to determine a final settlement for services rendered to patients covered under these programs. Contractual reimbursements are affected by limitations relating to charges and the reasonableness of costs (subject to limitations) and are subject to audits by the agencies administering the applicable program.

The Corporation's working capital advances and all expected third party settlement activity are classified as current liabilities in the accompanying consolidated balance sheets.

Derivative Financial Instruments

The Corporation entered into four interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate exposure on certain long-term obligations. Management has designated two of the interest rate swap agreements as cash flow hedges. The interest rate swap agreements are reported at fair value in the accompanying consolidated balance sheets. For the cash flow hedges, the related effective changes in fair value are reported in the accompanying consolidated statements of operations as an unrealized gain or loss on cash flow derivative financial instrument and the ineffective portion of the change in fair value is reported as a component of interest expense. For the interest rate swaps not designated as cash flow hedges, changes in fair value are reported as a component of other non-operating income.

Estimated Medical Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets whose use by the Corporation has been limited by donors to a specific time period or purpose are available for the purchase of capital renovations and equipment, providing health education to the community, and designated for the furtherance of programs provided by specific operating departments. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Revenues (Less Than) in Excess of Expenses

The consolidated statements of operations include the determination of revenues (less than) in excess of expenses. Changes in unrestricted net assets which are excluded from the determination of revenues (less than) in excess of expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, the effective portion of the unrealized gain (loss) on cash flow derivative financial instruments, other unrestricted net asset activity, transfers with unconsolidated subsidiaries, changes in minority interest, and contributions of long-lived assets (including contributions which by donor restriction were to be used for the purpose of acquiring such long-lived assets).

Net Patient Service Revenue

The Corporation reports net patient service revenue at the estimated net realizable amounts from patients, third party payers, and others for services rendered, including an estimate for retroactive adjustments that may occur as a result of future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, review and investigations. Allowances for the excess of charges over anticipated patient or third party payer payments are included in the determination of net patient service revenue as reported in the consolidated statements of operations, whereas net uncollectible self-pay amounts are reported as an operating expense. Certain of the health care services provided by the Corporation are reimbursed by third party payers on the basis of the lower of cost or charges, with costs subject to certain imposed limitations.

Patient accounts receivable are reported at net realizable value and include charges for accounts due from Medicare, Medicaid, CareFirst, other commercial and managed care insurers, and self-paying patients (*Note 16*). Patient accounts receivable also includes management's estimate of the impact of certain undercharges to be recouped or overcharges to be paid back for inpatient and outpatient services in subsequent years rates as discussed above. Deducted from patient accounts receivable are estimates of uncollectible accounts related to patients, and allowances for the excess of charges over the payments to be received from third party payers.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation for which action for noncompliance can include fines, penalties, and exclusion from the Medicare and Medicaid programs. The Corporation is not aware of any pending or threatened investigations involving allegations of potential wrongdoing which could have a material adverse effect on the accompanying consolidated financial statements.

Income Taxes

The Corporation follows the guidance in FASB Staff Position FAS 126-1, "Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities" ("FSP 126-1"). FSP 126-1 amended certain accounting literature to include conduit debt obligors in the definition of a public entity or enterprise. As a result, the Corporation adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" income taxes recognized in a company's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. Management has determined that the adoption of FIN 48 did not have a material effect on the financial effect on the consolidated financial statements.

The Corporation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no interest or penalties recognized in the consolidated statement of operations as a result of adopting FIN 48.

The Corporation's federal Exempt Organization Business Income Tax Returns for 2005, 2006, and 2007 remain subject to examination by the Internal Revenue Service.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on financial information obtained from the patient (or their guarantor) and subsequent analysis which includes the patient's ability to pay for services rendered. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as a component of net patient service revenue or patient accounts receivable.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Funds that are restricted to be used for capital acquisitions have been reported as noncurrent assets in the accompanying consolidated balance sheets, while other restricted cash and investments are included with the cash and cash equivalents of unrestricted net assets.

Investment income that is earned on donor restricted net assets and subject to similar restrictions is reported as temporarily restricted net assets. Gifts, grants and bequests not restricted by donors are reported as other operating income.

Advertising Costs

The Corporation expenses advertising costs as they are incurred. Advertising expense was approximately $ 2,899,000 in 2008 and $2,703,000 in 2007.

Reclassifications

Certain amounts relating to 2007 have been reclassified to conform to the 2008 reporting format.

2. ADOPTION OF ACCOUNTING PRONOUNCEMENTS

SFAS No. 157

Effective January 1, 2008, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that SFAS No. 157 establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

SFAS No. 159

Effective January 1, 2008, the Corporation adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 permits entities to make an irrevocable election to value certain financial assets and liabilities, on an instrument-by-instrument basis, at fair value and include the change in fair value within the performance indicator. The Corporation did not elect the fair value option for eligible items.

Adoption of SFAS No. 159 had no effect on the change in unrestricted net assets or the carrying value of the Corporation's consolidated financial instrument.

3. Charity Care

The Corporation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended December 31:

	2008	2007
Charges foregone, based on established rates	$25,708,553	$26,005,383

The State of New Jersey created the Health Care Subsidy Fund (HCSF) for various purposes including the distribution of charity care payments to hospitals statewide. Subsidy amounts of $348,228 in 2008 and $498,146 in 2007 are included in net patient service revenue.

4. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2008 and 2007 are comprised of the following:

	2008	2007
Cash and cash equivalents and certificates of deposit	$ 29,659,585	$ 5,891,633
Equities	23,153,843	40,146,879
Mutual funds	86,903,018	104,815,191
	$139,716,446	$150,853,703

Assets Whose Use Is Limited

The composition of assets whose use is limited at December 31, 2008 and 2007 is set forth in the following table:

	2008	2007
Under trust indentures, held by trustees:		
Cash and cash equivalents	$ 10,314,057	$ 14,626,410
Government bonds and other debt securities	13,937,531	3,297,547
U.S. Treasury securities	1,578,977	1,972,995
	25,830,565	19,896,952
Less funds held for current liabilities	7,634,282	7,441,729
Noncurrent portion of assets held under trust indentures	$ 18,196,283	$ 12,455,223
Professional liability trust fund, held by trustee:		
Cash and cash equivalents	$ 119,936	$ 2,532,015
Corporate bonds and other debt securities	5,461,410	6,246,857
Marketable equity securities	1,792,978	4,225,435
	7,374,324	13,004,307
Less funds held for current liabilities	1,185,808	1,411,795
Noncurrent portion of professional liability trust fund	$ 6,188,516	$ 11,592,512
Deferred compensation fund:		
Mutual funds	$ 1,202,063	$ 3,122,185
Corporate bonds and other debt securities	-	263,008
Cash and cash equivalents	39,311	593,715
	$ 1,241,374	$ 3,978,908

The indenture requirements of certain tax-exempt financings provide for the establishment and maintenance of various accounts with a trustee (*Note 10*). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders.

The composition of trustee-held funds at December 31, 2008 and 2007 is as follows:

	2008	2007
Debt service reserve fund	$ 6,254,561	$ 6,034,085
Construction fund	513,470	1,030,922
Principal and interest funds	7,634,284	7,441,729
Lease facility escrow	11,428,250	5,390,216
	$25,830,565	$ 19,896,952

Unrestricted investment income and gains and losses for investments, assets whose use is limited, and cash and cash equivalents are comprised of the following in 2008 and 2007:

	2008	2007
Investment income:		
Interest and dividends	$ 9,282,984	$ 7,869,934
Interest on trustee held funds	367,227	537,296
Net realized gains on sale of investments	1,566,827	1,970,391
Write-downs of the cost basis of investments due to an other-than-temporary decline in fair value	(32,269,128)	-
	$ (21,052,090)	$ 10,377,621
Other changes in unrestricted net assets,		
Change in net unrealized gains and losses on investments other than trading securities	$ (11,489,990)	$ 5,047,791

Interest and dividends are net of investment fees of $11,742 in 2008 and $22,609 in 2007.

In March 2009, the Corporation liquidated the short-term investments portfolio. As a result, the losses related to these investments were recognized as a write-down of the cost basis due to an other-than-temporary decline in fair value.

5. Fair Value Measurements and Financial Instruments

Fair Value Measurements

The Corporation measures its short-term investments, assets whose use is limited, investments, beneficial interest in trusts, and derivative financial instruments on a recurring basis in accordance with SFAS No. 157. The financial instruments were measured with the following inputs at December 31, 2008:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
Assets:		
Cash and cash equivalents	$ 40,132,889	$ -
Mutual funds	88,105,081	-
Marketable equity securities	24,946,821	-
Government bonds and other debt securities	-	13,937,531
Corporate bonds and other debt securities	-	5,461,410
U.S. Treasury securities	-	1,578,977
Beneficial interest in trusts	-	1,088,015
Total	$153,184,791	$22,065,933
Liabilities,		
Derivative financial instruments	$ -	$23,206,843

The Corporation did not have any assets or liabilities whose fair values were measured using Level 3 inputs at December 31, 2008.

The Corporation did not have any financial assets or financial liabilities measured at fair value on a non-recurring basis.

Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, construction payable, accrued compensation and related items, and due to third party payors approximate their related fair values due to the short-term nature of these instruments. Fair values of the variable rate long-term debt are considered to approximate their carrying amounts in the consolidated balance sheets. The fair value of the Corporation's remaining long-term obligations was approximately $18,937,000 and $26,804,000 as of December 31, 2008 and 2007, respectively, and are estimated based on market data provided by the Corporation's financial consultants. In addition to the variable rate debt, the carrying values of the Corporation's HUD mortgages payable also approximate fair value based on similar terms available to the Corporation.

Assets whose use is limited and investments are valued at fair value, which are the amounts reported in the consolidated balance sheet, based on quoted market prices, if available (equity securities and mutual funds), or estimated using quoted market prices of similar securities (corporate bonds, government bonds, U.S. Treasury securities, and other).

Beneficial interest in trusts are valued at fair value, which are the amounts reported in the consolidated balance sheet. The fair value takes into consideration the underlying principal for these assets and the estimated present value of future cash flows. The discount rate used to estimate the present value of future cash flows is based on the rate of return for U.S. Treasury securities with similar maturity horizons. As the underlying principal and discount rate used to calculate fair value are observable inputs, these assets are deemed to be measured with Level 2 inputs as disclosed above.

The Corporation measures its derivative financial instruments at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument, and considers the credit risk of the Corporation and counterparty. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreement.

6. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment and accumulated depreciation and amortization at December 31, 2008 and 2007 consist of the following:

	2008	2007
Land and improvements	$ 18,765,284	$ 18,554,345
Buildings and improvements	454,500,197	391,193,213
Office furniture and equipment	176,043,366	162,156,530
Equipment under capital leases	43,250,032	41,035,239
	692,558,879	612,939,327
Less accumulated depreciation and amortization	(357,298,769)	(324,318,410)
	335,260,110	288,620,917
Construction in progress	50,358,253	84,800,923
	$ 385,618,363	$ 373,421,840

Depreciation expense, including equipment under capital lease was $32,985,613 in 2008 and $30,296,377 in 2007. Accumulated amortization of equipment under capital lease as of December 31, 2008 and 2007 was $24,775,719 and $18,984,475, respectively. Construction in progress as of December 31, 2008 consists primarily of major renovation and expansion projects of clinical facilities and costs related to the implementation of a new clinical information system.

The Corporation also reports as assets under capital lease the accumulated PHNS, Inc. information technology capital expenditures (*Note 7*), which are being amortized individually to expense over six years.

During the past several years, the Corporation has undertaken several significant construction projects including the construction of a new tower at SGAH and the proposed relocation of the hospital at WAH. As of December 31, 2008, purchase commitments related to these and other miscellaneous projects were approximately $17,000,000. These projects will be funded through transfers from the Corporation's related foundations as well as proceeds from long-term debt.

The Corporation leases a medical office building (the "MOB") to rent space to physicians. The Corporation incurred approximately $5,043,000 in leasehold improvements. The Corporation has experienced lower than expected occupancy which has affected cash flows from rentals at the MOB. Management is aggressively negotiating with potential lessees; however, based on projected rentals management has determined that the fair value of the leasehold improvements at December 31, 2007 was impaired. As a result, an impairment loss of $1,072,347 in 2007 was charged to operations. As of December 31, 2008, and 2007, the carrying value of the MOB leasehold improvements is zero.

On April 29, 2007, AMSI, as a partnership sold its sleep disorder business operations including equipment, intangible assets, and interest in consolidated subsidiary for $14,500,000. The purchaser withheld $1,000,000 in escrow with a third party bank payable in equal installments in 2008 and 2009, and the escrow is subject to future claim deductions as described in the escrow agreement.

The sale resulted in a pretax gain of $12,569,085 and was included in other income in 2007, of which $3,486,714 was allocated to minority interest physician partners based on the sale agreement. This minority interest gain, together with the physician partners' pro rata portion of earnings from operations during the year, amounted to $3,769,034, and is reflected in the accompanying consolidated statements of operations. In April 2008, the purchaser released the second installment of the sale in the amount of $500,000 with no claim deduction. The partnership recognized a gain of $467,038 and was included in other income in 2008, of which $129,633 was allocated to minority interest physician partners based on the sale agreement. The remaining installment gain to be received upon the release of the second escrow without claims in April 2009 is estimated to be $467,038, of which $129,633 is expected to be allocated to minority partners.

AMSI estimated its income tax expenses of $540,000, net of net operating loss carry forward available for the year 2007 and included it as general and administrative expenses in the accompanying consolidated statements of operations. There was no income tax expense in 2008.

7. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments include its interests in unconsolidated subsidiaries and long-term marketable securities at December 31, 2008 and 2007:

	2008	2007
PHNS Inc.	$ 2,736,160	$ 2,736,160
Maryland Regional Cancer Care, LLC	630,953	393,725
Premier, Inc.	1,483,427	977,820
Glade Valley Nursing & Rehabilitation Center, Inc.	651,543	837,693
Germantown Outpatient Imaging	1,174,045	1,198,086
InforMed, LLC	3,000,000	3,000,000
Marketable securities	1,164,774	1,553,068
Other	718,305	370,318
	$11,559,207	$11,066,870

PHNS Inc.

Pursuant to an agreement dated May 4, 2001, the Corporation outsourced its information technology function through a series of transactions with PHNS Inc. (PHNS), a third party provider of information technology, medical record coding, and transcription services to health care providers. This was accomplished through a transaction whereby the Corporation sold its information technology and telephony assets and transferred the ownership of its information technology function to PHNS. In addition, the Corporation engaged PHNS to provide information technology services over a ten-year period. Effective January 1, 2005, the contract has been amended to extend the service agreement through December 31, 2015.

In connection with the sale of these assets, the Corporation received cash of approximately $10,000,000, preferred stock with a face value of approximately $10,000,000, and 336,553 shares of common stock with an estimated value of approximately $1,000,000 as of the date of the transaction. The preferred stock was redeemed in September 2006.

The initial carrying value of the common stock was estimated by management through comparison with publicly traded companies considered by management to be similar to PHNS (which is not publicly traded) at or near the time of sale. No revision of the PHNS common stock holding has been recognized during 2008 or 2007 because in the opinion of management, the fair value of the PHNS common stock has remained consistent. At December 31, 2008 and 2007, the fair value of the Corporation's investment in PHNS' common stock was $2,736,160 which represents an investment of approximately 2% of PHNS' total stock outstanding.

As a result of above, the Corporation is obligated to purchase information technology services from PHNS for a minimum of ten years at an initial cost of approximately $21,000,000 annually. Future payments under this arrangement include annual updates to the fees for the increased cost over time to be reviewed by PHNS for providing the agreed-upon services, plus administrative and other charges. Through 2007, PHNS provided the Corporation with an annual information technology capital budget, each with a three-year installment payment plan. As of December 31, 2008, the Corporation has an obligation to make one final installment payment on the 2007 capital budget in 2009. The Corporation has made a total of $32,867,175 in payments related to this capital budget as of December 31, 2008. Each payment is scheduled to be amortized over a six-year period; cumulative amortization related to these capital payments amounted to $22,136,599 and $17,619,947 as of December 31, 2008 and 2007, respectively. Amortization expense in the amount of $4,516,652 and $4,842,770 has been recognized by the Corporation for the years ended December 31, 2008 and 2007, respectively. Unpaid amounts related to budget years that have already expired amounted to $556,997 and $2,032,504 at December 31, 2008 and 2007, respectively. Beginning in 2005, unpaid capital budget amounts did not incur a financing charge. Interest was imputed based on the Corporation's estimated incremental borrowing rate of 7.4% for 2008 and 2007, respectively. The unpaid capital budget obligations at December 31, 2008 and 2007 had a present value of $535,298 and $1,915,255 respectively.

Effective August 11, 2006, AHC amended the service agreement to exclude purchases and financing of information technology capital expenditures through PHNS. This resulted in the elimination of annual information technology capital budget as described above.

Maryland Regional Cancer Care, LLC

The Corporation owns 50% of a non-profit joint venture, Maryland Regional Cancer Care, LLC (MRCC), with an area hospital. MRCC provides outpatient radiation oncology services to patients in Maryland. Since the Corporation does not control MRCC, the Corporation accounts for its interest under the equity method of accounting. The Corporation recognized earnings of $ 413,174 in 2008 and $927,823 in 2007, which are included in other revenue in the accompanying consolidated statements of operations. Summarized financial information as of December 31, 2008 and 2007 for MRCC is as follows:

	2008	2007
Net revenue	$ 128,540	$ 14,911,409
Net income	(229,608)	2,257,030
Total assets	410,939	17,691,274
Total liabilities	24,438	5,174,657

On December 31, 2007, MRCC wound down their operations and as a result transferred all the assets and liabilities relating to their Rockville location to AHC. Subsequent to this date, MRCC continues to hold an investment in a joint venture, Chesapeake Potomac Regional Cancer Center. The investment balance as of December 31, 2008 represents AHC's portion of the equity MRCC has in this joint venture.

Premier, Inc.

The Corporation is a partner in Premier, Inc. (Premier), a health care system group purchasing organization. Partners are required to maintain capital accounts with Premier. The Corporation maintains approximately .6% and .8% of the total capital of Premier at December 31, 2008 and 2007, respectively. Excess earnings after expenses associated with the purchasing program are credited to partners' capital accounts based on partners' pro rata volume of purchases. Premier's board establishes a required capital every six months. Capital balances in excess of the required capital is distributed semi-annually. The Corporation accounts for its interest in Premier under the cost method of accounting. The Corporation recognized earnings of $ 2,734,427 in 2008 and $605,897 in 2007, which are included in other revenue in the accompanying consolidated statements of operations.

Glade Valley Nursing & Rehabilitation Center, Inc.

The Corporation and another area hospital are the sole equal members of Glade Valley Nursing & Rehabilitation Center, Inc. (Glade). Glade is organized for the purpose of operating a 124 comprehensive bed nursing facility in Walkersville, Maryland, and is managed by ASLS. The Corporation accounts for its interest under the equity method of accounting. The Corporation recognized earnings of $111,505 in 2008 and $413,052 in 2007, which are included in other revenue in the accompanying consolidated statements of operations. Summarized financial information for Glade for 2008 and 2007 is as follows:

	2008	2007
Net revenue	$ 12,906,517	$ 11,837,051
Net income	222,959	826,105
Total assets	11,195,489	11,201,528
Total liabilities	9,395,714	9,526,142

Germantown Outpatient Imaging, LLC

In August 2006, the Corporation entered into an agreement with a physician radiology group for the creation of a joint venture that would provide radiology and other imaging services to patients on an outpatient basis. Germantown Outpatient Imaging (GOI) is 50% owned by the Corporation and 50% owned by a physician radiology group. The Corporation accounts for its investment in this joint venture on the equity method of accounting. The Corporation recognized earnings of $478,078 in 2008 and $372,078 for 2007. Summarized financial information for GOI for 2008 and 2007 is as follows:

	2008	2007
Net revenue	$ 3,890,581	$ 3,070,990
Net income	932,828	853,692
Total assets	2,588,004	2,560,280
Total liabilities	237,827	164,109

The Corporation invests in other joint ventures with the area's health care providers. The Corporation accounts for its interest in these joint ventures under the cost method of accounting.

InforMed, LLC

On January 1, 2007, the Corporation paid $3,000,000 to purchase a 10% membership interest in InforMed, LLC, which is a provider of chronic disease and medical management, clinical claims data warehousing and analysis, network management, and third party administration based in Annapolis, Maryland. AHC accounts for this investment in InforMed, LLC, on the cost basis method of accounting.

Summarized financial information for InforMed, LLC for 2008 and 2007 is as follows:

	2008	2007
Net revenue	$ 17,526,672	$ 11,546,659
Net income	1,704,243	(390,627)
Total assets	6,729,849	6,255,689
Total liabilities	3,939,875	3,770,111

Marketable Securities

The Foundations also hold marketable debt and equity securities for funds not required to be expended in less than 90 days. These marketable securities are subject to credit and market risks.

8. Land Held for Healthcare Development

On February 25, 2002, the Corporation purchased 209 acres of land in Clarksburg, Maryland for approximately $20,000,000. Concurrent with this purchase, the Corporation entered into a sale agreement with an unrelated third party to be used for residential construction for the sale of 91 acres for $16,000,000.

On December 27, 2004, the Corporation purchased an additional adjacent parcel of land in Clarksburg Maryland for $8,000,000. The purchase price and the related closing costs were financed under a line of credit with a commercial bank. Total costs capitalized related to the above parcels of land and improvements on this land was $37,027,449 and $34,937,970 at December 31, 2008 and 2007, respectively.

In July 2006, the Corporation purchased a parcel of land near the Calverton-White Oak area of Silver Springs for approximately $11,000,000. The Corporation plans to build a replacement hospital for Washington Adventist Hospital. The cost of the land will continue to be reported as land held for healthcare development until such time as the Maryland Health Care Commission approves the Corporation's plan for constructing the new facility. As of December 31, 2008 and 2007, the Corporation had total costs capitalized related to this land and land improvements of $18,580,990 and $12,385,536, respectively.

On December 29, 2008, the Corporation participated in a group purchase of 5.31 acres of property located in Boyds, Maryland. The parcel was purchased by Cabin Branch Management, LLC, a Maryland Limited Liability Company of which the Corporation is a voting member. The Corporation does not maintain control of this Limited Liability Company and, therefore, the operation of it is not included in the consolidated financial statements at December 31, 2008 and 2007. The Corporation contributed $205,045 of the total contracted sales price of $735,000.

9. Short-Term Financing

The Corporation has a $3,000,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50%. There were no borrowings outstanding under this line of credit as of December 31, 2008 or 2007.

In December 2008, the Corporation entered into a $20,000,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 3.00% (3.5% at December 31, 2008), with a term of one month. This line of credit expires on March 1, 2009. Borrowings under this line of credit were $20,000,000 at December 31, 2008.

10. Long-Term Obligations

Long-term obligations as of December 31, 2008 and 2007 are comprised of the following:

	2008	2007
$22,925,000 Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2003A Washington Adventist Hospital (WAH); interest on bonds ranging from 5% to 5.75% with interest payments due semiannually on January 1 and July 1; annual principal and sinking fund payments ranging from $1,000,000 to $2,130,000 due annually from January 1, 2009 to January 1, 2025.	$ 22,925,000	$ 22,925,000
$39,560,000 Maryland Health and Higher Educational Facilities Authority Revenue Bonds, Series 2003B Adventist HealthCare, Inc.; interest is payable monthly at a variable rate based on the SIFMA index (1.71% at December 31, 2008); annual principal payments ranging from $955,000 to $1,985,000 due annually from January 1, 2009 to January 1, 2033.	35,310,000	36,240,006
$50,000,000 Maryland Health and Higher Educational Facilities Authority Revenue Bonds, Series 2004A Adventist HealthCare; interest on is payable monthly at a variable rate based on the SIFMA index (1.20% at December 31, 2008); annual principal payments ranging from $190,000 to $4,880,000 due from January 1, 2009 to January 1, 2035.	39,915,000	45,405,000
$35,985,000 Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2004B Adventist HealthCare; interest is payable monthly at a variable rate based on LIBOR (2.25% at December 31, 2008); annual principal payments ranging from $820,000 to $1,910,000 are due annually from January 1, 2009 through January 1, 2035.	29,990,000	29,990,000
$78,000,000 Maryland Health and Higher Educational Facilities Authority Revenue Bonds, Series 2005A Adventist HealthCare; interest is payable monthly at a variable rate based on the SIFMA index (1.10% at December 31, 2008); annual principal payments ranging from $1,050,000 to $10,755,000 are due annually from January 1, 2022 through January 1, 2035.	78,000,000	78,000,000

(Continued)	2008	2007
$64,590,000 Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds, Series 2005B Adventist HealthCare; interest is payable monthly at a variable rate based on the SIFMA index (1.20% at December 31, 2008); annual principal payments ranging from $5,630,000 to $10,800,000 are due annually from January 1, 2013 through January 1, 2021.	$59,330,000	$59,330,000
$5,105,000 Montgomery County, Maryland Economic Development Revenue Bonds, Series 1993 Springbrook Adventist Nursing and Rehabilitation Center, Inc. (Springbrook); interest on term bonds ranging from 5.875% to 6.5% with interest payments due semiannually on April 1 and October 1 of each year; mandatory annual principal and sinking fund payments ranging from $155,000 to $365,000 from October 1, 2009 through October 1, 2023.	3,685,000	3,830,000
$13,343,900 US Department of Housing and Urban Development, Federal Housing Administration Loan, Bradford Oaks Nursing and Rehabilitation Center, Inc., interest on loan at 5.45%; monthly principal and interest payments of $75,347 from January 1, 2008 through January 1, 2037.	12,987,306	13,177,988
$9,079,900 US Department of Housing and Urban Development, Federal Housing Administration Loan, Shady Grove Adventist Nursing and Rehabilitation Center, Inc., interest on loan at 5.45%; monthly principal and interest payments of $51,270 from January 1, 2008 through January 1, 2037.	8,837,254	8,967,004
$1,170,000 US Department of Housing and Urban Development, Federal Housing Administration Loan, Shady Grove Adventist Nursing and Rehabilitation Center, Inc. interest on loan at 5.95%; monthly principal and interest payments of $7,160 from June 2008 through May 2036.	1,160,346	-
$5,766,200 US Department of Housing and Urban Development, Federal Housing Administration Loan, Sligo Creek Nursing and Rehabilitation Center, Inc., interest on loan at 5.45%; monthly principal and interest payments of $32,559 from January 1, 2008 through January 1, 2037.	5,612,108	5,694,505
Note payable to finance the implementation of a new clinical system. The equipment has been financed through several agreements with different terms in regard to the amortization period and the rates of interest to be paid. None of the related financing extends beyond 10 years.	17,108,696	21,201,716
$20,000,000 unsecured line of credit with a commercial bank with interest at LIBOR plus 0.75% (2.65% at December 31, 2008). Borrowings under this line of credit are due on December 31, 2010.	20,000,000	9,995,000
$20,000,000 secured line of credit with a commercial bank with interest at LIBOR plus 0.45% (2.35% at December 31, 2008). Borrowings under this line of credit are due on December 31, 2010.	20,000,000	20,000,000
$16,000,000 secured line of credit with a commercial bank with interest at LIBOR plus 0.75% (2.65% at December 31, 2008). Borrowings under this line of credit are due on March 12, 2010.	16,000,000	-

(Continued)	2008	2007
$12,000,000 Capital Lease Purchase Financing Facility with Sun Trust Leasing Corporation with interest at 4.31% and monthly principal and interest payments of $222,681. The repayment period commenced on June 30, 2007 and extends through June 30, 2012.	$ 8,666,940	$ 10,912,793
$8,000,000 Capital Lease Purchase Financing Facility with Sun Trust Leasing Corporation with interest at 3.85% and monthly principal and interest payments of $146,791. The repayment period commenced on November 30, 2008 and extends through October 31, 2013.	7,757,364	-
Other notes payable due in varying monthly principal payments through 2014	928,306	1,052,911
Capital lease obligation related to unpaid portion of PHNS annual capital budget	535,298	1,915,255
Capital leases payable, secured by related capital equipment.	1,318,156	1,742,578
TOTAL OBLIGATIONS	390,066,774	370,379,756
Less current maturities	81,075,497	15,159,177
Less bond discount	236,590	246,380
NONCURRENT PORTION OF LONG TERM OBLIGATIONS, Net	$308,754,687	$354,974,199

SGAH, WAH, and Potomac Ridge were the initial members of an Obligated Group as described in the Master Trust Indenture (the Original Master Trust Indenture) dated September 1, 1991, and a First Supplemental Master Trust Indenture (the Supplemental Master Trust Indenture) dated November 17, 1993. Through the issuance of supplemental indentures, Shady Grove Adventist Nursing and Rehabilitation Center (SGANRC), the Support Center, and HRMC have been added to the Obligated Group. In February 2003, the Amended and Restated Master Trust Indenture was established and took effect in December 2005 when the majority of the Obligated Group debt was defeased.

In 2003, the Maryland Health and Higher Educational Facilities Authority (the Authority) issued two new series of bonds for the benefit of the Obligated Group: 2003A Series tax-exempt Refunding Revenue Bonds for $22,925,000, and 2003B Series tax-exempt Revenue Bonds for $39,560,000. The payment of the principal and interest on the 2003B Bonds is secured by a separate irrevocable direct-pay Letter of Credit, which will expire on March 1, 2013.

In September 2004, the Fourth Supplemental Master Trust Indenture was executed, at which time ARHM was added to the Obligated Group. Pursuant to the agreements between this new Obligated Group and the Authority, the Authority issued two new series of bonds for the benefit of the Obligated Group: 2004A Series tax-exempt Revenue Bonds for $50,000,000 and 2004B Series taxable Revenue Refunding Bonds for $35,985,000. The payment of the principal and interest on the bonds of each series is secured by a separate irrevocable direct-pay Letter of Credit. The Letters of Credit will expire on September 14, 2009. As such, the outstanding debt related to these bonds has been classified as current as of December 31, 2008. The 2004B bonds were issued to refund in advance the non-callable City of Gaithersburg and City of Takoma Park 1995 Series for SGAH, SGANRC and WAH. On December 19, 2006, SGANRC closed on a loan of $9,079,900 through the US Department of Housing and Urban Development (HUD). The proceeds from the SGANRC loan were used to make partial payments of $2,995,000 and $5,260,000 on the Series 2004B and 2005B, respectively.

On December 23, 2004, the Fifth Supplemental Master Trust Indenture was executed to secure the obligations of the Corporation under a Line of Credit.

In December 2005, the Series 2005A and B were issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003. SGANRC withdrew from the Obligated Group concurrent with the issuance of the Series 2005 bonds. The payment of principal and interest for the Series 2005A and 2005B bonds are both secured by irrevocable direct-pay Letters of Credit which expire on December 20, 2010. In addition, the Amended and Restated Master Trust Indenture imposes various covenants on the Obligated Group which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. Management believes it has complied with the required covenants for the year ending December 31, 2008 and 2007.

On March 1, 2008 the Second Supplemental Master Trust Indenture was executed to extend the term of the agreement securing the obligations of the Corporation under a Line of Credit executed on December 23, 2004 and to secure the obligation of a new loan to finance the costs of construction of a parking garage at SGAH.

Springbrook Nursing & Rehabilitation Center ("Springbrook") and Sligo Creek Nursing & Rehabilitation Center ("Sligo") are the initial members of an Obligated Group as described in the Master Trust Indenture (the Indenture) dated October 1, 1993 for the 1993 Economic Development Revenue Bonds. In accordance with the terms of the Indenture, the members of the Obligated Group have granted a security interest to the Trustee in all property and unrestricted revenue of the Obligated Group. In addition, the Indenture imposes various covenants on the Obligated Group which include restrictions on the transfer or disposition of property, incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. On December 19, 2006, Sligo closed on a loan of $5,766,200 through the US Department of Housing and Urban Development (HUD). As part of this transaction, Sligo paid off existing bonds and withdrew from the Obligated Group leaving Springbrook as the Obligated Group Representative. Additional details of this transaction are described below. As of December 31, 2008 and 2007, in the opinion of management, the Obligated Group was in compliance with the financial covenants.

On July 10, 1997, the Authority issued $13,780,000 of Nursing Facility Mortgage Revenue Bonds. The bond proceeds were used to finance the costs of the acquisition of Bradford Oaks Nursing & Rehabilitation Center (Bradford), to finance the construction and equipment of an expansion project, to fund working capital costs with respect to the Bradford facility, to establish a Debt Service Fund for the Series 1997 Bonds, to fund capitalized interest on a portion of the Series 1997 Bonds, and to pay a portion of the costs associated with the issuance of the Bonds. The Bonds were secured by a pledge of the receipts of Bradford and by a mortgage on the facility. The Bonds require that Bradford achieve certain pre-established financial indicators. On December 19, 2006, Bradford closed on a $13,343,900 loan through HUD and paid off Bradford's existing bonds. Additional details of this transaction are described below.

As mentioned above, on December 19, 2006 Bradford, SGANRC, and Sligo entered into loans with HUD for $13,343,900, $9,079,900, and $5,766,200, respectively. The loans are secured by mortgages on each facility. The majority of the proceeds of each loan were used to pay off each of the facilities existing bond obligations as well as provide for various capital needs of the facilities.

In December 2006, the Montgomery County Economic Development Revenue Bonds, Series of 1993 (the "Series 1993 Bonds") and the Maryland Health and Higher Educational Facility Authority Nursing Facility Mortgage Revenue Bonds, Series of 1997 (the "Series 1997 Bonds"), in the amount of $10,495,000 and $13,780,000, respectively, were refunded through a mortgage agreement between Adventist HealthCare, Inc. and Capstone Realty Advisors, LLC, secured by the Secretary of Housing and Urban Development under Section 232 pursuant to Section 223(f) of the National Housing Act, as amended.

The Corporation has a $20,000,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 0.75% (2.65% at December 31, 2008). Borrowings under this line of credit were $20,000,000 at December 31, 2008 and $9,995,000 at December 31, 2007. At December 31, 2007, the line of credit was modified and extended through December 31, 2010 at which time any outstanding borrowings are payable in full (Note 9). Interest expense charged to operations under this line of credit was $523,506 and $385,356 for the years ended December 31, 2008 and 2007, respectively.

The Corporation also has a $20,000,000 secured line of credit with a commercial bank, with interest at LIBOR plus 0.45% (2.35% at December 31, 2008). Borrowings under this line of credit were $20,000,000 at December 31, 2008 and 2007. Interest cost of $782,670 and $1,142,986 were capitalized during 2008 and 2007, respectively, under this line of credit because the entire balance is financing the Corporation's development of the land held for healthcare development (Note 8). At December 31, 2007, the line of credit was extended through December 31, 2010 at which time any outstanding borrowings are payable in full (Note 9).

On March 12, 2008, the Corporation entered into a $16,000,000 secured line of credit with a commercial bank with interest at LIBOR plus 0.75% (2.65% at December 31, 2008) to finance the construction of a parking deck on the campus of Shady Grove Adventist Hospital. The line of credit expires on February 28, 2010. Interest expense charged to operations under this line of credit was $352,986 for the year ended December 31, 2008.

In June 2007, the Corporation entered into a Capital Lease Purchase Financing Facility with Sun Trust Leasing Corporation (Sun Trust). Under the terms of the agreement, Sun Trust deposited $12,000,000 into an escrow account for the purpose of funding future purchases of new or used medical or medical-related equipment. Sun Trust retains title to the equipment and is considered to be the owner; however, the Corporation is responsible for all related expenses, including but not limited to, insurance, maintenance, and taxes. Interest accrues at a fixed rate of 4.31% and the Corporation pays monthly principal and interest payments over a five-year period. The Corporation benefits from the interest earned on those funds that remain in escrow (Note 4). As of December 31, 2008, four draws totaling $7,734,488 have been made. Interest expense charged to operations under the leasing facility was $426,321 and $271,865 for the years ended December 31, 2008 and 2007, respectively.

In October 2008, the Corporation entered into a Capital Lease Purchase Financing Facility with Sun Trust. Under the terms of the agreement, Sun Trust deposited $8,000,000 into an escrow account for the purpose of funding future purchases of new or used medical or medical-related equipment. Sun Trust retains title to the equipment and is considered to be the owner; however, the Corporation is responsible for all related expenses, including but not limited to, insurance, maintenance, and taxes. Interest accrues at a fixed rate of 3.85% and the Corporation pays monthly principal and interest payments over a five-year period. The Corporation benefits from the interest earned on those funds that remain in escrow (Note 4). As of December 31, 2008, draws totaling $8,000,000 have been made. Interest expense charged to operations under the leasing facility was $63,778 for the year ended December 31, 2008.

Scheduled principal repayments of long-term obligations at December 31, 2008 are as follows:

YEARS ENDING DECEMBER 31	
2009	$ 81,075,497
2010	67,218,410
2011	10,948,402
2012	7,963,291
2013	9,647,813
Thereafter	213,213,361
	$390,066,774

11. Derivative Financial Instruments

The Corporation entered into four interest rate swap agreements, which are considered derivative financial instruments. The agreements were entered into in order to manage interest rate exposure. The principal objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on its debt portfolio. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreement. Management believes that losses related to credit risk are remote.

Management has designated two of the interest rate swap agreements as cash flow hedges, which qualify for hedge accounting treatment under Statement of Financial Accounting Standard No. 133, Accounting *for Derivative Instruments and Hedging Activities*. These two interest rate swap agreements are reported at fair value in the consolidated balance sheets. The effective portion of the change in fair value of these derivatives is reported in the consolidated statements of operations and changes in net assets as an unrealized gain or loss on cash flow derivative financial instrument. The ineffective portion of the change in fair value is reported in the accompanying consolidated statements of operations as a component of interest expense.

For the two interest rate swaps not designated as cash flow hedges, changes in fair value are reported as a component of other nonoperating income in the accompanying consolidated statements of operations.

The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. The net cash paid under the interest rate swap agreements was $1,489,083 in 2008 and $310,313 in 2007, which is reported as a component of interest expense in the accompanying consolidated statements of operations.

At December 31, 2008 and 2007, the Corporation's derivative financial instruments and related fair values are as follows:

	2008	2007
Agreement with Lehman Brothers, Inc. for the notional amount of $78,000,000 requiring the Corporation to pay a fixed interest rate of 3.567% while receiving variable interest rates based upon 67% of LIBOR, maturing January 2035 and qualifying for cash flow hedge accounting treatment	$ -	$(3,306,336)
Agreement with notional amount of $59,330,000 requiring the Corporation to pay a fixed interest rate of 3.457% while receiving variable interest rates based upon 67% of LIBOR, maturing January 2021 and qualifying for cash flow hedge accounting treatment	(7,342,573)	(1,951,386)
Agreement with notional amount of $78,000,000 requiring the Corporation to pay variable interest rates based upon 67% of monthly LIBOR while receiving variable interest rates based upon 62.11% of the five-year ISDA rate, maturing January 2035; does not qualify for cash flow hedge accounting treatment	1,056,201	746,393

	2008	2007
Agreement with Deutsche Bank for the notional amount of $78,000,000 requiring the Corporation to pay a fixed interest rate of 3.567% while receiving variable interest rates based upon 67% of LIBOR, maturing January 2035 and qualifying for cash flow hedge accounting treatment	$(16,920,471)	$ -
	$(23,206,843)	$(4,511,329)

The fair value of the interest rate swap agreements is estimated to be the amount the Corporation would receive or pay to terminate the swap agreements at the reporting date and was based on information supplied by an independent third party valuation (Note 5). To the extent that the interest rate swaps qualifying for cash flow hedge accounting treatment are effective in converting the variable interest rate to a fixed rate, the unrealized gain or loss on the derivative financial instruments is excluded from revenues in excess of expenses. Gains or losses resulting from hedge ineffectiveness are recognized in revenues in excess of expenses. Losses of $1,213,867 were recognized as of December 31, 2008 and gains of $170,516 were recognized as a component of revenues in excess of expenses in 2007 as a result of hedge ineffectiveness. Gains or losses resulting from interest rate swap agreements not qualifying for cash flow hedge accounting treatment are entirely recognized as a component of revenues in excess of expenses. The income statement impact of swaps not qualifying for hedge accounting treatment was a $381,509 gain in 2008 and a $264,543 loss in 2007. There are no triggers in the swap agreements that would result in collateral posting by the Corporation.

On October 3, 2008, the counterparty for the Corporation's fixed pay swap maturing in January 2035, Lehman Brothers, Inc., commenced proceedings under Chapter 11 of the Bankruptcy Code. This action triggered an Event of Default under the ISDA Master Agreement in effect with said party and gave the Corporation the right to terminate the transaction. On October 16, 2008, the Corporation terminated this agreement and concurrently entered into an agreement with a new counterparty that assumed all existing terms and conditions of the original agreement. The termination of the original swap agreement resulted in a gain of $472,023 which is included in unrestricted net assets in the consolidated balance sheet. This gain will be amortized over the remaining term of the 2005A Series Bonds, or through January 2035. As of December 31, 2008, accumulated amortization of $2,967 is included in other changes in net assets and interest expenses in the consolidated statement of operations and changes in net assets.

12. Leases

The Corporation has entered into various operating leases primarily for office space as well as certain equipment items. Rental expense for operating leases was $16,222,260 in 2008 and $15,278,761 in 2007. Future minimum payments under non cancelable operating leases with initial or remaining terms of one year or more consist of the following during the years ending December 31:

YEARS ENDING DECEMBER 31	
2009	$ 10,781,704
2010	10,042,696
2011	10,097,640
2012	10,149,889
2013	7,812,429
Thereafter	67,754,595
	$116,638,953

The Corporation has also entered various sub-lease agreements with tenants that occupy space in the Corporation's buildings. The terms of these sub-leases vary and extend through 2024. Rental income was $2,935,837 in 2008 and $2,958,572 in 2007, which has been reported as a component of other operating revenue in the consolidated statements of operations. Future rent payments expected to be received by the Corporation during the years ending December 31 is as follows:

YEARS ENDING DECEMBER 31	
2009	$ 3,347,937
2010	3,088,413
2011	2,695,326
2012	2,567,552
2013	2,126,055
Thereafter	6,813,258
	$20,638,541

13. Retirement and Health Plans

Defined Contribution Retirement Plan

The Corporation sponsors a 401(a) defined contribution retirement plan, which covers substantially all full-time employees. After 12 months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2% of eligible employees' compensation, plus a matching employer contribution equal to 50% of employee contributions up to 6% of base salary. Retirement plan expense was $7,630,625 in 2008 and $6,716,024 in 2007.

ASLS participates in a contributory 403(b) tax deferred annuity retirement plan administered by an insurance company. Employer contributions are 100% matched to employee contributions up to 4% of base salary. Retirement plan expense was $419,715 in 2008 and $391,165 in 2007.

AHHS employees are covered by a separate defined contribution plan. Retirement plan expense was $201,224 in 2008 and $176,437 in 2007.

AMSI employees are covered by a 401(k) defined contribution plan. Retirement plan expense was $16,570 in 2008 and $23,387 in 2007.

Salary Deferral (457(b)) Plan

Employees who contribute the maximum allowable amount to the 403(b) retirement plan have an opportunity to contribute additional funds on a tax-deferred basis to a 457(b) retirement plan up to the maximum tax-sheltered opportunity. There are no employer contributions to this plan.

Employee Life and Health Benefit Program

The Corporation maintains a self-insurance employee program for its health insurance overage. The Corporation accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third-party administrator of the program, and historical claims experience. Beginning January 1, 2005, HRMC maintained its own self-insurance program for employee health care coverage.

Deferred Compensation Plan

The Corporation maintains the Adventist HealthCare, Inc. deferred compensation plan (the Plan). The Plan provides cash compensation and other benefits to eligible employees after termination of employment. Fund assets are invested in money market securities held by an irrevocable trust, subject to claims made by the employer's creditors in the event of bankruptcy or insolvency. It is the Corporation's policy to fund the Plan based on actuarially determined amounts sufficient to satisfy its obligations in the plan year.

AHC Executive Flex Benefit Program

The AHC Executive Flex Benefit Program (the Program) was implemented to provide additional benefits to eligible employees as defined by the Program. Plan documentation provides for a financial benefit floor equal to 5% of net salary. Funding for benefits earned under this Program are made on a quarterly basis based on actual benefits earned for the year.

14. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for betterments to plant facilities and purchases of equipment or to support operating programs sponsored by the Corporation and its affiliates.

Permanently restricted net assets have been restricted by donor to be maintained by the Corporation in perpetuity.

Net assets were released from donor restriction by satisfying their restricted purposes in the amount of $5,498,554 in 2008 and $4,413,039 in 2007.

15. Commitments and Contingencies

Litigation and Claims

The Corporation is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. In the opinion of management and after consultation with legal counsel, the Corporation has established adequate reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty, however, any associated potential future losses resulting from such activity could have a material adverse effect on the Corporation's future financial position, results of operations and liquidity.

As part of the Corporation's ongoing corporate compliance efforts during 2003, it was discovered that the Medicare program had been billed for a non-covered procedure furnished to Medicare beneficiaries. The billing mistake, which appears to have occurred over a several year period, has been rectified. The Corporation has initiated discussions with the appropriate regulatory agencies regarding the billing error, and will refund any payments received from the Medicare program as a result of the error. After consultation with legal counsel, it has been estimated that the Corporation may have to refund $2,400,000 to $3,200,000 to the Medicare program related to this billing matter. The accompanying consolidated financial statements reflect a $3,200,000 reserve to account for this potential exposure, which has been reported as a noncurrent liability on the consolidated balance sheets.

Insurance

The Corporation's primary coverage for professional liability is provided through a self-funded insurance retention trust (the "Trust") established on January 1, 1993. The Trust is funded based on actuarial estimates and provides coverage of $2,000,000 per occurrence with no annual aggregate limitation. The Trust also provides general liability coverage up to $1,000,000 per occurrence. The Corporation also carries umbrella excess liability insurance on a claims made basis with a commercial carrier, with limits of $20,000,000 per occurrence and in aggregate.

It is the Corporation's policy to accrue for the ultimate cost of uninsured asserted and unasserted malpractice claims, if any, when incidents occur. Based on a review of the Corporation's prior experience and incidents occurring through December 31, 2008, management determined that the fully-funded professional liability reserve reported at December 31, 2008 and 2007 is adequate in light of the program's excess umbrella policy currently in force and historical claims experience. The estimated professional liability for both asserted and unasserted claims was $9,583,981 and $11,327,818 at December 31, 2008 and 2007, respectively. The discount rate used in determining these liabilities was 4.5% and 5.0% at December 31, 2008 and 2007, respectively.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and worker's compensation claims payable is an estimate based on the Corporation's past experience and is included in the accompanying consolidated balance sheets. It is reasonably possible that the estimates used could change materially in the near term.

Guaranteed Occupancy Clause

During 2002 and 2003, HRMC entered into agreements to guarantee the occupancy of two medical office buildings located in Hackettstown, New Jersey. The agreement entered into in 2002 is effective for 15 years, and the agreement entered into in 2003 is effective for 20 years.

For the agreement entered into in 2002, HRMC agreed to lease each tenant space that becomes vacant for at least 60 days during the term of the agreement at an annual base rent of $13.75 per square foot of rentable floor area during the first year of the agreement. Each year thereafter, the base rent will increase by 3% of the prior year's base rent. The owner of this medical office building is obligated to use commercially reasonable efforts to lease any tenant space that becomes vacant during the term of the agreement. All tenant space has been occupied as of December 31, 2007 and 2006.

For the agreement entered into in 2003, HRMC agreed to lease each tenant space that becomes vacant for at least 60 days during the term of the agreement at an annual base rent of $14.75 per square foot of rentable floor area during the first year of the agreement, and at $18.00 per square foot of rentable space for the second year of the agreement. Each year thereafter, the base rent will increase by the consumer price index. The owner of this medical office building is obligated to use commercially reasonable efforts to lease any tenant space that becomes vacant during the term of the agreement. This agreement became effective upon the completion of the medical office building in October 2004.

With regard to the guaranteed occupancy clauses, HRMC has recognized a liability in accordance with FASB Interpretation 45: *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* This liability totaled $699,568 and $699,283 at December 31, 2008 and 2007, respectively. The liability represents the present value of the estimated guarantee payments over the term of the guarantee. This liability has been offset by a deferred asset of the same amount, which is reported as a component of unamortized intangible assets in the accompanying consolidated balance sheets.

16. Business and Credit Concentrations

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies.

At December 31, 2008 and 2007, concentrations of gross receivables from third-party payers and others are as follows:

	2008	2007
Medicare	21%	22%
Medicaid	17%	15%
Other third party payers	46%	44%
Self-pay and others	16%	19%
	100%	**100%**

Gross patient service revenue, by payer class, consisted of the following for the years ended December 31:

	2008	2007
Medicare	38%	37%
Medicaid	8%	8%
Other third party payers	45%	47%
Self-pay and others	9%	8%
	100%	**100%**

The Corporation maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000.

17. Functional Expenses

A summary of the Corporation's operating expenses by function for the years ended December 31 is as follows:

	2008	2007
Hospital acute and ambulatory services	$609,759,959	$ 580,288,723
Home care services	13,281,901	12,240,881
Long-term care facilities	55,349,929	53,853,142
Other health care services	104,186,391	101,355,629
Other	19,125,474	17,943,039
	$801,703,654	**$ 765,681,414**

PARENTERANDOLPH

The Power of Ideas

Independent Auditors' Report on Additional Information

Board of Trustees
Adventist HealthCare, Inc.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating and combining information presented on pages 45 through 60 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets, and cash flows of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Parente Randolph, LLC

Wilkes-Barre, Pennsylvania
May 13, 2009

ADVENTIST HEALTHCARE, INC.
Schedule of Consolidating Information, Balance Sheet
December 31, 2008

ASSETS	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Potomac Ridge	Laurie Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Physician Services	Consolidated Adventist Senior Living Services	Consolidated Adventist Management Services, Inc.	SGAH, WAH, PRMH and HCH Foundations
CURRENT ASSETS:														
Cash and cash equivalents	$ 15,671,658	$ -	$ (60,404,614)	$ 16,443,484	$ 11,422,793	$ 29,253,192	$ 412,934	$ 1,450	$ 4,093,241	$ 1,740,392	$ (3,359,314)	$ 14,554,491	$ (86,799)	$ 1,600,410
Short-term investments	139,716,446	-	139,716,446	-	-	-	-	-	-	-	-	-	-	-
Assets whose use is limited	8,820,090	-	6,956,853	-	1,763,147	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net of estimated allowances of $64,588,000	115,357,553	-	168,815	41,029,609	38,304,690	11,113,017	5,320,812	-	7,294,541	1,654,327	1,016,198	8,536,150	8,494	-
Other receivables, net of estimated allowance for uncollectible accounts of $1,286,000	9,633,809	(2,014,076)	388,080	1,618,704	1,758,204	391,393	3,886,938	1,360,903	102,052	103,560	36,937	13,528	1,989,192	268,504
Due from third party payors	-	(463,781)	-	-	-	-	-	-	463,781	-	-	-	-	-
Inventories	10,809,753	-	-	4,568,777	3,468,513	2,279,736	529,813	-	84,295	21,540	-	32,954	215,925	-
Prepaid expenses and other current assets	3,540,970	-	1,992,469	271,722	324,801	450,286	148,838	624	85,262	25,622	10,346	123,613	55,981	9,396
TOTAL CURRENT ASSETS	303,549,369	(2,477,857)	88,820,049	64,640,296	57,092,146	43,488,534	9,850,535	1,362,977	12,123,152	3,545,441	(2,295,833)	23,358,886	2,182,793	1,878,310
PROPERTY AND EQUIPMENT, Net	385,618,363	-	56,849,554	185,123,745	41,949,436	52,672,801	11,208,400	2,008,353	9,260,372	394,619	73,618	25,844,460	233,000	-
ASSETS WHOSE USE IS LIMITED:														
Under trust indentures, held by trustee	18,196,283	-	3,475,784	5,230,735	5,321,295	1,195,498	286,582	-	398,765	-	-	2,287,624	-	-
Professional liability trust fund	6,188,516	-	6,188,516	-	-	-	-	-	-	-	-	-	-	-
Deferred compensation fund	1,241,374	-	-	47,784	1,193,590	-	-	-	-	-	-	-	-	-
CASH AND CASH EQUIVALENTS TEMPORARILY RESTRICTED FOR CAPITAL ACQUISITION	2,456,183	-	-	533,717	-	1,161,096	-	562,760	86,559	-	-	-	-	112,051
INVESTMENTS AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	11,599,207	-	6,323,497	1,174,045	-	2,150,505	28,202	-	-	-	-	718,188	-	1,164,775
LAND HELD FOR HEALTHCARE DEVELOPMENT	55,813,484	-	48,203,267	-	7,610,217	-	-	-	-	-	-	-	-	-
DEFERRED FINANCING COSTS, Net	4,397,100	-	121,209	1,310,806	955,782	519,495	96,626	-	91,830	-	-	1,301,312	-	-
INTANGIBLE ASSETS, Net	7,968,423	-	99,752	3,178,478	60,133	699,283	2,422,179	-	1,135,381	229,884	-	-	143,333	-
DERIVATIVE FINANCIAL INSTRUMENT	-	(1,066,220)	1,066,220	-	-	-	-	-	-	-	-	-	-	-
DEPOSITS AND OTHER NONCURRENT ASSETS	9,113,310	(338,210)	1,451,907	513,983	562,281	3,131,364	376,854	-	32,000	62,151	6,867	9,065	19,075	5,286,123
TOTAL	$ 806,101,612	$ (3,882,287)	$ 212,599,350	$ 261,953,589	$ 114,744,880	$ 105,018,576	$ 24,249,498	$ 3,754,090	$ 23,128,099	$ 4,232,095	$ (2,215,330)	$ 53,519,425	$ 2,578,216	$ 6,441,459

ADVENTIST HEALTHCARE, INC.
Schedule of Consolidating Information, Balance Sheet
December 31, 2008

LIABILITIES AND NET ASSETS	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackensack Regional Medical Center	Potomac Ridge	Laurel Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Physician Services	Consolidated Adventist Senior Living Services	Consolidated Adventist Management Services, Inc.	SGAH, WAH, PRRH and HCH Foundations
CURRENT LIABILITIES:														
Accounts payable and accrued expenses	$ 66,089,839	$ (1,443,922)	$ 13,680,198	$ 21,146,655	$ 17,089,389	$ 5,204,762	$ 1,978,906	$ 1,594,630	$ 517,332	$ 844,535	$ 189,100	$ 4,305,646	$ 1,003,583	$ 9,025
Accrued compensation and related items	33,046,052	(570,134)	4,821,098	9,725,842	8,220,389	3,072,350	2,642,541	242,263	1,183,239	865,099	235,975	2,645,139	165,071	-
Interest payable	1,266,196	-	1,135,835	-	-	-	-	-	-	-	-	130,361	-	-
Due to third party payors	16,581,868	(463,781)	-	9,433,985	6,724,149	151,035	40,104	-	-	-	-	697,276	-	-
Estimated self-insured professional liability	1,185,808	-	1,185,808	-	-	-	-	-	-	-	-	-	-	-
Short-term financing	20,000,000	-	20,000,000	-	-	-	-	-	-	-	-	-	-	-
Current maturities of long-term obligations	81,075,497	-	13,287,137	27,487,176	16,474,683	15,289,051	890,728	52,196	6,996,838	-	-	597,688	-	-
TOTAL CURRENT LIABILITIES	219,245,260	(2,477,857)	54,110,076	67,791,958	48,508,610	23,717,198	5,552,279	1,889,089	8,695,409	1,709,634	375,075	8,176,110	1,168,654	9,025
CONTSTRUCTION PAYABLE	1,420,678	-	-	1,175,598	164,600	80,483	-	-	-	-	-	-	-	-
LONG-TERM OBLIGATIONS, Net:														
Bonds payable	196,903,411	(954,999)	172,640,000	-	21,688,410	-	-	-	-	-	-	3,530,000	-	-
Notes payable	89,610,959	(338,210)	39,644,525	16,000,000	1,300,000	-	2,186,729	572,990	-	-	-	30,254,925	-	-
Capital lease obligation	22,231,347	-	10,054,479	7,051,413	4,676,092	735,911	-	-	313,422	-	-	-	-	-
Internal debt	-	954,999	(172,640,000)	107,505,121	34,298,422	24,250,865	5,630,593	-	-	-	-	-	-	-
DERIVATIVE FINANCIAL INSTRUMENTS	23,206,843	(1,866,220)	24,273,063	-	-	-	-	-	-	-	-	-	-	-
DEFERRED COMPENSATION	1,241,484	-	110	47,784	1,193,590	-	-	-	-	-	-	-	-	-
OTHER LIABILITIES	5,708,459	-	1,002,795	322,500	3,236,565	1,072,754	-	-	-	-	-	-	-	83,916
ESTIMATED SELF-INSURED PROFESSIONAL LIABILITY	7,146,732	-	7,146,732	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	566,733,123	(3,882,287)	136,231,690	199,894,371	115,056,289	49,266,218	13,369,601	2,461,979	9,008,831	1,709,634	375,075	41,960,435	1,168,654	92,940
NET ASSETS:														
Unrestricted	229,314,759	-	75,394,492	59,772,597	(578,960)	54,639,595	10,879,897	741,884	13,987,685	2,522,461	(2,500,407)	11,559,040	1,389,556	1,601,009
Temporarily restricted	9,715,879	-	973,168	2,286,621	267,561	1,112,770	-	196,676	131,583	-	-	-	-	4,747,510
Permanently restricted	333,851	-	-	-	-	-	-	333,851	-	-	-	-	-	-
TOTAL NET ASSETS	239,368,489	-	76,367,660	62,059,218	(311,409)	55,752,365	10,879,897	1,272,411	14,119,268	2,522,461	(2,500,407)	11,559,040	1,389,556	6,348,519
TOTAL	$ 806,101,612	$ (3,882,287)	$ 212,599,350	$ 261,953,589	$ 114,744,880	$ 105,018,583	$ 24,249,498	$ 3,734,390	$ 23,128,099	$ 4,232,095	$ (2,125,332)	$ 53,519,475	$ 2,558,210	$ 6,441,459

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC.

Schedule of Consolidating Information, Statement of Operations

For the Year Ended December 31, 2008

	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Potomac Ridge	Louie Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Physician Services	Consolidated Adventist Senior Living Services	Consolidated Adventist Management Services, Inc.	SGAH, WAH, PRBH and HCH Foundations
UNRESTRICTED REVENUES														
Net patient service revenue	$ 774,014,846	$ (118,947)	$ 3,513,906	$ 290,676,095	$ 247,810,538	$ 90,987,904	$ 40,088,647	$ 262,342	$ 27,502,849	$ 13,857,151	$ 1,481,069	$ 57,953,292	$ -	$ -
Other revenue	40,425,837	(12,087,413)	6,396,847	5,620,635	5,494,354	2,275,498	13,818,375	5,955,922	210,278	21,730	46,340	1,581,148	8,096,281	2,995,842
TOTAL UNRESTRICTED REVENUES	814,440,683	(12,206,360)	9,910,753	296,296,730	253,304,892	93,263,402	53,907,022	6,218,264	27,713,127	13,878,881	1,527,409	59,534,440	8,096,281	2,995,842
EXPENSES														
Salaries and wages	334,836,121	-	14,862,247	102,075,452	88,980,933	37,852,294	31,633,634	3,311,956	14,147,626	8,873,067	2,793,588	27,466,021	2,839,303	-
Employee benefits	65,229,075	-	2,590,920	19,395,531	16,424,784	8,872,108	7,151,338	684,247	2,349,848	1,623,207	336,126	5,269,013	531,953	-
Contract labor	32,400,235	(3,854,599)	558,093	13,422,571	13,167,837	2,484,152	2,601,636	691,025	1,157,519	508,873	(77,106)	768,955	971,279	-
Medical supplies	119,372,823	(242,726)	(7,480)	48,648,327	46,998,551	10,557,355	2,719,918	33,307	1,739,076	216,188	12,711	6,765,905	1,931,691	-
General and administrative	114,109,674	(7,309,490)	37,191,838	31,040,214	28,065,070	7,081,748	2,544,916	1,063,147	2,290,194	738,294	319,621	6,887,362	1,187,838	3,008,922
Building and maintenance	42,250,054	(1,530,544)	826,210	19,950,504	8,786,911	5,506,883	3,830,112	579,111	935,913	590,786	174,654	2,245,949	353,565	-
Insurance	2,021,391	-	49,213	559,500	516,332	191,686	223,838	29,935	65,790	16,939	227,491	129,421	11,246	-
Provision for uncollectible accounts	43,302,605	-	36,392	13,617,572	19,829,489	6,057,794	1,052,913	66,148	471,162	99,185	-	1,993,480	78,470	-
Interest	14,526,306	-	947,012	5,881,249	3,276,433	1,824,751	368,269	16,811	339,416	-	-	1,872,365	-	-
Depreciation and Amortization	33,655,370	-	5,428,360	11,715,738	7,183,318	5,804,947	1,075,039	91,034	631,892	87,452	18,077	1,495,019	124,494	-
IT Depreciation	-	(10)	(4,475,335)	1,708,391	1,471,883	599,902	250,086	-	144,032	125,224	-	116,124	59,703	-
Allocation: IT Services	-	162,891	(32,351,995)	12,967,629	12,292,998	3,091,375	1,217,414	112,227	1,517,914	402,866	-	484,308	102,373	-
Allocation: Shared Services	-	(200)	-	-	200	-	-	-	-	-	-	-	-	-
AHC Management Fees	-	568,318	(23,570,824)	8,582,536	7,214,269	2,734,548	1,689,054	154,945	735,962	360,719	153,227	1,161,200	216,046	-
TOTAL EXPENSES	801,703,654	(12,206,360)	2,084,651	289,565,214	254,209,008	92,659,543	56,358,167	6,833,893	26,526,344	13,642,800	3,958,389	56,655,122	8,407,961	3,008,922
INCOME (LOSS) FROM OPERATIONS	12,737,029	-	7,826,102	6,731,516	(904,116)	603,859	(2,451,145)	(615,629)	1,186,783	236,081	(2,430,980)	2,879,318	(311,680)	(13,080)
OTHER INCOME (EXPENSE)														
Investment (loss) income	(21,052,090)	-	(6,660,573)	(4,297,904)	(1,533,814)	(4,339,368)	(1,252,516)	(42,050)	(415,486)	(271,459)	691	(2,053,301)	(52,730)	(133,580)
Other income (expense)	746,108	-	541,742	-	7,284	(330,081)	-	-	-	-	-	60,125	467,038	-
TOTAL OTHER (EXPENSE) INCOME	(20,305,982)	-	(6,118,831)	(4,297,904)	(1,526,530)	(4,669,449)	(1,252,516)	(42,050)	(415,486)	(271,459)	691	(1,993,176)	414,308	(133,580)
PORTION OF EARNINGS RELATED TO MINORITY INTEREST	(124,523)	-	-	-	-	-	-	-	-	-	-	-	(124,523)	-
REVENUES (LESS THAN) IN EXCESS OF EXPENSES	(7,693,476)	-	1,707,271	2,433,612	(2,430,646)	(4,065,590)	(3,703,661)	(657,679)	771,297	(35,378)	(2,430,289)	886,142	(21,895)	(146,660)
Change in unrealized gains and losses on investments other than trading securities	(11,489,900)	-	(6,252,837)	(1,788,758)	(613,120)	(1,477,112)	(281,578)	(25,088)	(344,169)	(64,630)	-	(355,163)	(330,268)	42,733
Change in unrealized loss on derivative financial instrument	(17,552,352)	-	(17,552,352)	-	-	-	-	-	-	-	-	-	-	-
Transfer to unconsolidated subsidiaries	(19,260)	-	736,472	(296,918)	(240,979)	-	(111,160)	(8,539)	(32,863)	(19,537)	(3,322)	-	(42,414)	-
Net assets released from restriction for purchase of property and equipment	2,325,529	-	17,547	1,827,669	447,813	-	-	32,500	-	-	-	-	-	-
Change in minority interest	(16,459)	-	-	-	-	-	-	-	-	-	-	-	(16,459)	-
Other unrestricted net assets activity	13,175	-	-	-	-	329,920	(316,745)	-	-	-	-	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (34,432,833)	$ -	$ (21,343,899)	$ 2,175,605	$ (2,836,932)	$ (5,212,782)	$ (4,413,144)	$ (658,806)	$ 394,265	$ (119,545)	$ (2,433,611)	$ 530,979	$ (411,036)	$ (103,927)

ADVENTIST HEALTHCARE, INC.

Schedule of Consolidating Information, Statement of Changes in Net Assets

For the Year Ended December 31, 2008

	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Potomac Ridge	Lourie Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Physician Services	Consolidated Adventist Senior Living Services	Consolidated Adventist Management Services, Inc.	SGAH, WAH, PRBH and HCH Foundations
UNRESTRICTED NET ASSETS:														
Revenues (less than) in excess of expenses	$ (7,693,476)	$ -	$ 1,707,271	$ 2,433,612	$ (2,430,646)	$ (4,065,590)	$ (3,703,561)	$ (657,679)	$ 771,297	$ (35,378)	$ (2,430,283)	$ 886,142	$ (21,895)	$ (146,660)
Change in unrealized gains and losses on investments other than trading securities	(11,489,990)	-	(6,252,837)	(1,788,758)	(613,120)	(1,477,112)	(281,578)	(25,088)	(344,169)	(64,630)	-	(355,163)	(330,268)	42,753
Change in unrealized loss on derivative financial instrument	(17,552,352)	-	(17,552,352)	-	-	-	-	-	-	-	-	-	-	-
Transfer to unconsolidated subsidiaries	(19,260)	-	736,472	(296,958)	(240,979)	-	(111,160)	(8,539)	(32,863)	(19,537)	(3,322)	-	(42,414)	-
Net assets released from restriction for purchase of property and equipment	2,325,529	-	17,547	1,827,669	447,813	-	-	32,500	-	-	-	-	-	-
Change in minority interest	(16,459)	-	-	-	-	-	-	-	-	-	-	-	(16,459)	-
Other unrestricted net assets activity	13,175	-	-	-	-	329,920	(316,745)	-	-	-	-	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(34,432,833)	-	(21,343,899)	2,175,605	(2,836,932)	(5,212,782)	(4,413,144)	(658,806)	394,265	(119,545)	(2,433,611)	530,979	(411,036)	(103,907)
TEMPORARILY RESTRICTED NET ASSETS:														
Restricted gifts and donations	6,640,938	-	359,571	2,091,289	704,956	350,269	-	130,548	41,101	-	-	-	-	2,963,204
Net assets released from restriction for purchase of property and equipment	(2,325,529)	-	(17,547)	(1,827,669)	(447,813)	-	-	(32,500)	-	-	-	-	-	-
Net assets released from restriction for use in operations	(3,173,025)	-	(95,252)	(164,956)	(184,993)	-	-	(58,136)	(925)	-	-	-	-	(2,669,665)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(349,380)	-	(224,318)	-	-	-	-	-	-	-	-	-	-	(125,062)
Change in discount of pledges receivable and provision for doubtful pledges	(982,622)	-												(982,622)
Donor restricted investment income	(19,881)	-	-	-	-	-	-	-	-	-	-	-	-	(19,881)
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(209,499)	-	22,454	99,564	72,150	350,269	-	39,912	40,178	-	-	-	-	(834,026)
PERMANENTLY RESTRICTED NET ASSETS,														
Permanently restricted gifts and donations	227,313	-	-	-	-	-	-	227,313	-	-	-	-	-	-
(DECREASE) INCREASE IN NET ASSETS	(34,415,019)	-	(21,321,445)	2,275,169	(2,764,782)	(4,862,513)	(4,413,144)	(391,581)	434,443	(119,545)	(2,433,611)	530,979	(411,036)	(937,953)
NET ASSETS, BEGINNING	273,783,508	-	97,689,105	59,784,049	2,453,373	60,614,878	15,292,951	1,663,992	13,684,825	2,642,006	(156,796)	11,028,061	1,800,592	7,286,472
NET ASSETS, ENDING	$ 239,368,489	$ -	$ 76,367,660	$ 62,059,218	$ (311,409)	$ 55,752,365	$ 10,879,807	$ 1,272,411	$ 14,119,268	$ 2,522,461	$ (2,590,407)	$ 11,559,040	$ 1,389,556	$ 6,348,519

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC.
Schedule of Consolidating Information, Statement of Cash Flows
For the Year Ended December 31, 2008

	Consolidated Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Potomac Ridge	Laurel Center	Adventist Rehabilitation Hospital of Maryland	Adventist Home Health Services	Adventist Physician Services	Consolidated Adventist Senior Living Services	Consolidated Adventist Management Services, Inc.	SGAH, WAH, PRBH and HCH Foundations
CASH FLOWS FROM OPERATING ACTIVITIES														
(Decrease) increase in net assets	$ (34,415,019)	$ -	(23,321,445)	2,275,169	(2,764,782)	(4,862,513)	(4,413,144)	$ (391,581)	$ 434,443	$ (119,545)	$ (2,433,611)	$ 530,979	$ (431,036)	$ (937,953)
Adjustments to reconcile (decrease) increase in net assets to cash provided by (used in) operating activities:														
Provision for uncollectible accounts	43,302,605	-	36,392	13,617,572	19,829,489	6,057,794	1,052,913	66,148	471,162	99,185	-	1,993,480	78,470	-
Depreciation and amortization	35,655,370	-	5,428,360	11,715,738	7,183,318	5,804,947	1,075,039	91,034	631,692	87,452	18,077	1,495,019	124,494	-
Gain on sale of property and equipment	(5,097)	-	-	-	-	(5,097)	-	-	-	-	-	-	-	-
Restricted contributions and grants	(6,245,841)	-	(359,571)	(2,091,289)	(704,956)	(826,107)	-	(357,861)	(41,101)	-	-	-	-	(1,864,956)
Net organization transfer among affiliates	-	-	-	-	(37,578)	-	-	-	-	-	-	-	37,578	-
Earnings from investments and investments in unconsolidated subsidiaries	(3,593,807)	-	(3,004,224)	(478,078)	-	-	-	-	-	-	-	(111,505)	-	-
Amortization of bond discounts	9,790	-	-	-	9,790	-	-	-	-	-	-	-	-	-
Amortization of physician income guarantees	481,508	-	-	155,883	325,625	-	-	-	-	-	-	-	-	-
Cash transfers among affiliates	-	(2,682,445)	-	-	-	-	-	-	-	-	-	-	-	2,682,445
Change in unrealized losses (gains) on investments other than trading securities	11,592,402	5,184,756	6,252,837	(6,426)	(57,726)	-	(5,664)	-	-	-	-	260,639	-	(36,014)
Change in fair value of charitable remainder trusts and obligations to annuitants	349,380	-	224,318	-	-	-	-	-	-	-	-	-	-	125,062
Change in net unrealized loss on derivative financial instruments	18,695,514	-	18,695,514	-	-	-	-	-	-	-	-	-	-	-
Change in discount on pledges receivable and provision for doubtful pledges	(104,895)	-	-	-	-	-	-	-	-	-	-	-	-	(104,895)
Changes in assets and liabilities:														
Patient accounts receivable, net	(49,815,270)	-	55,783	(19,067,895)	(20,362,675)	(7,671,148)	91,851	-	(1,997,860)	(92,552)	455,016	(1,243,908)	17,318	-
Other receivables, net	1,822,548	944,614	2,548,740	(30,658)	(1,060,921)	(172,517)	(968,735)	(24,530)	(67,968)	(93,096)	(39,094)	96,564	(56,070)	733,439
Inventories, prepaid expenses and other current assets	(565,105)	-	(512,529)	384,906	167,730	(447,423)	(6,571)	(624)	(39,385)	(12,618)	(3,799)	(49,147)	(67,838)	23,093
Accounts payable and accrued expenses	(2,754,691)	(944,614)	2,824,982	(3,982,924)	(1,895,378)	1,199,255	445,498	536,615	(443,808)	21,725	(21,973)	345,057	(839,764)	(272)
Accrued compensation and related expenses	4,746,933	-	1,315,821	1,742,465	637,945	(297,608)	378,630	49,042	284,536	139,287	142,798	413,649	(59,652)	
Interest payable	(323,788)	-	(327,711)	-	-	-	-	-	-	-	-	3,923	-	
Estimated self-insured professional liability	2,634,705	-	2,634,705	-	-	-	-	-	-	-	-	-	-	
Due to third party payors	2,798,872	-	-	(171,697)	393,270	769,851	829,690	-	(14,088)	-	-	1,011,846	-	
Other noncurrent assets and liabilities	865,055	-	730,470	566,178	107,687	(630,035)	92,850	-	(32,000)	-	-	(3,515)	32,963	457
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	23,131,169	2,502,311	15,222,442	4,628,244	1,771,438	(1,080,601)	(1,424,623)	(31,757)	(833,377)	29,838	(1,877,686)	4,743,081	(1,143,527)	620,386
CASH FLOWS FROM INVESTING ACTIVITIES														
Purchase of property and equipment	(51,955,097)	199,114	(4,995,282)	(35,047,059)	(4,782,980)	(3,012,586)	(452,327)	(8,060)	(270,188)	(155,896)	(48,723)	(3,304,874)	(76,236)	-
Payments to physicians under income guarantees	(100,228)	-	-	(69,477)	(30,751)	-	-	-	-	-	-	-	-	-
Decrease (increase) in investments and investments in unconsolidated subsidiaries	(2,218,620)	(5,184,756)	2,541,829	-	-	-	-	-	-	-	-	-	-	424,307
Net additions to land held for healthcare development	(8,489,978)	-	(2,294,523)	-	(6,195,455)	-	-	-	-	-	-	-	-	-
Proceeds from the sale of property and equipment	5,097	(199,114)	-	-	-	5,097	-	-	-	-	-	-	199,114	-
Distribution from investments in unconsolidated subsidiaries	5,055,268	-	4,553,649	502,119	-	-	-	-	-	-	-	-	-	-
Cash transfers among affiliates	-	2,682,445	-	-	-	-	-	-	-	-	-	-	-	(2,682,445)
(Increase) decrease in trustee held funds / restricted cash	(7,460,217)	-	2,932,637	(5,583,010)	(3,613,893)	(390,435)	(477)	(268,335)	(417,301)	-	-	(128,511)	-	9,108
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(65,163,275)	(2,502,311)	2,738,310	(40,197,427)	(14,623,079)	(3,397,924)	(452,804)	(276,395)	(687,489)	(155,896)	(48,723)	(3,433,385)	122,878	(2,249,030)
CASH FLOWS FROM FINANCING ACTIVITIES														
Payments of financing costs	(122,122)	-	-	(17,460)	(10,184)	-	-	-	(1,455)	-	-	(93,023)	-	-
Repayments of long-term obligations, net	(15,467,983)	-	(7,358,959)	(2,253,219)	(1,450,715)	(2,585,316)	(229,850)	(49,409)	(983,031)	-	-	(557,484)	-	-
Proceeds from issuance of long-term obligations, net	55,175,000	-	10,805,000	20,800,000	2,800,000	-	-	-	400,000	-	-	1,170,000	-	-
Transfer of debt among affiliates	-	-	(2,155,787)	1,275,787	880,000	-	-	-	-	-	-	-	-	-
Proceeds from short-term financing	20,000,000	-	20,000,000	-	-	-	-	-	-	-	-	-	-	-
Proceeds from restricted contributions and grants	6,245,841	-	359,571	2,091,289	704,956	826,107	-	357,861	41,101	-	-	-	-	1,864,956
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	45,810,736	-	20,869,825	21,896,397	2,884,057	(1,759,209)	(229,850)	308,452	(543,385)	-	-	519,493	-	1,864,956
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,778,630	-	38,830,577	(13,672,786)	(9,967,584)	(6,237,734)	(2,107,277)	300	(2,064,251)	(126,058)	(1,921,409)	1,829,189	(1,020,649)	236,312
CASH AND CASH EQUIVALENTS, BEGINNING	11,893,028	-	(99,235,191)	30,136,270	21,390,375	35,490,926	2,520,211	1,150	6,157,492	1,866,450	(1,437,905)	12,725,302	933,850	1,364,098
CASH AND CASH EQUIVALENTS, ENDING	$ 15,671,658	$ -	$ (60,404,614)	$ 16,463,484	$ 11,422,791	$ 29,253,192	$ 412,934	$ 1,450	$ 4,093,241	$ 1,740,392	$ (3,359,314)	$ 14,554,491	$ (86,799)	$ 1,600,410

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC. - Obligated Group
Schedule of Combining Information, Balance Sheet
December 31, 2008

	Combined AHC Obligated Group	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Community Hospital	Potomac Ridge	Adventist Rehabilitation Hospital of Maryland
ASSETS								
Current assets:								
Cash and cash equivalents	$ 1,221,028	$ -	$ (60,404,614)	$ 16,443,484	$ 11,422,791	$ 29,253,192	$ 412,934	$ 4,093,241
Short-term investments	139,716,446	-	139,716,446	-	-	-	-	-
Assets whose use is limited	8,722,000	-	6,958,853	-	1,763,147	-	-	-
Patient accounts receivable, net of estimated allowances of $59,465,000	104,142,384	-	168,815	41,939,609	38,304,690	11,113,917	5,320,812	7,294,541
Other receivables, net of estimated allowance for uncollectible accounts of $887,000	8,075,351	-	388,080	1,616,704	1,758,204	391,393	3,818,938	102,032
Due from third party payors	-	(463,781)	-	-	-	-	-	463,781
Inventories	10,530,334	-	-	4,568,777	3,468,513	2,279,736	129,013	84,295
Prepaid expenses and other current assets	3,323,388	-	1,992,469	271,722	374,801	450,296	148,838	85,262
TOTAL CURRENT ASSETS	275,730,931	(463,781)	88,820,049	64,840,296	57,092,146	43,488,534	9,830,535	12,123,152
PROPERTY AND EQUIPMENT, Net	357,064,308	-	56,849,554	185,123,745	41,949,436	52,672,801	11,208,400	9,260,372
ASSETS WHOSE USE IS LIMITED:								
Under trust indentures, held by trustee	15,908,659	-	3,475,784	5,230,735	5,321,295	1,195,498	286,582	398,765
Professional liability trust fund	6,188,516	-	6,188,516	-	-	-	-	-
Deferred compensation fund	1,241,374	-	-	47,784	1,193,590	-	-	-
CASH AND CASH EQUIVALENTS TEMPORARILY RESTRICTED FOR CAPITAL ACQUISITION	1,781,372	-	-	533,717	-	1,161,096	-	86,559
INVESTMENTS AND INVESTMENTS IN UNCONSOLIDATED SUBISIDIARIES	9,676,244	-	6,323,492	1,174,045	-	2,150,505	28,202	-
LAND HELD FOR HEALTHCARE DEVELOPMENT	55,813,484	-	48,203,267	-	7,610,217	-	-	-
DEFERRED FINANCING COSTS, Net	3,095,788	-	121,209	1,310,806	935,782	519,495	96,626	91,870
INTANGIBLE ASSETS, Net	7,595,206	-	99,752	3,178,478	60,133	699,283	2,422,179	1,135,381
DERIVATIVE FINANCIAL INSTRUMENTS	-	(1,066,220)	1,066,220	-	-	-	-	-
DEPOSITS AND OTHER NONCURRENT ASSETS	6,068,019	-	1,451,507	513,983	562,281	3,131,364	376,884	32,000
TOTAL	$ 740,163,901	$ (1,530,001)	$ 212,599,350	$ 261,953,589	$ 114,744,880	$ 105,018,576	$ 24,249,408	$ 23,128,099

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC. - Obligated Group
Schedule of Combining Information, Balance Sheet
December 31, 2008

	Combined AHC Obligated Group	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Community Hospital	Potomac Ridge	Adventist Rehabilitation Hospital of Maryland
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable and accrued expenses	$ 59,617,242	$ -	$ 13,680,198	$ 21,146,655	$ 17,089,389	$ 5,204,762	$ 1,978,906	$ 517,332
Accrued compensation and related items	29,662,659	-	4,821,098	9,725,042	8,220,389	3,072,350	2,642,541	1,181,239
Interest payable	1,135,835	-	1,135,835	-	-	-	-	-
Due to third party payors	15,884,592	(463,781)	-	9,433,085	6,724,149	151,035	40,104	-
Estimated self-insured professional liability	1,185,808		1,185,808	-	-	-	-	-
Short-term financing	20,000,000	-	20,000,000	-	-	-	-	-
Current maturities of long-term obligations	80,425,613	-	13,287,137	27,487,176	16,474,683	15,289,051	890,728	6,996,838
TOTAL CURRENT LIABILITIES	207,911,749	(463,781)	54,110,076	67,791,958	48,508,610	23,717,198	5,552,279	8,695,409
CONTSTRUCTION PAYABLE	1,429,678	-	-	1,175,595	164,600	89,483	-	-
LONG-TERM OBLIGATIONS, Net								
Bonds payable	193,373,411	(954,999)	172,640,000	-	21,688,410	-	-	-
Notes payable	59,131,254	-	39,644,525	16,000,000	1,300,000	-	2,186,729	-
Capital lease obligation	22,231,317	-	10,054,479	7,051,413	4,676,092	135,911	-	313,422
Internal debt	-	954,999	(172,640,000)	107,505,121	34,298,422	24,250,865	5,630,593	-
DERIVATIVE FINANCIAL INSTRUMENTS	23,206,843	(1,066,220)	24,273,063	-	-	-	-	-
DEFERRED COMPENSATION	1,241,484	-	110	47,784	1,193,590	-	-	-
OTHER LIABILITIES	5,624,524	-	1,002,705	322,500	3,226,565	1,072,754	-	-
ESTIMATED SELF INSURED PROFESSIONAL LIABILITY	7,146,732	-	7,146,732	-	-	-	-	-
TOTAL LIABILITIES	521,296,992	(1,530,001)	136,231,690	199,894,371	115,056,289	49,266,211	13,369,601	9,008,831
NET ASSETS:								
Unrestricted	214,095,216	-	75,394,492	59,772,597	(578,960)	54,639,595	10,879,807	13,987,685
Temporarily restricted	4,771,693	-	973,168	2,286,621	267,551	1,112,770	-	131,583
TOTAL NET ASSETS	218,866,909	-	76,367,660	62,059,218	(311,409)	55,752,365	10,879,807	14,119,268
TOTAL	$ 740,163,901	$ (1,530,001)	$ 212,599,350	$ 261,953,589	$ 114,744,880	$ 105,018,576	$ 24,249,408	$ 23,128,099

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC. - Obligated Group

Schedule of Combining Information, Statement of Operations

For the Year Ended December 31, 2008

	Combined AHC Obligated Group	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Community Hospital	Potomac Ridge	Adventist Rehabilitation Hospital of Maryland
UNRESTRICTED REVENUES								
Net patient service revenue	$ 700,579,939	$ -	$ 3,513,906	$ 290,676,095	$ 247,810,538	$ 90,987,904	$ 40,088,647	$ 27,502,849
Other revenue	27,490,943	(6,325,044)	6,396,847	5,620,635	5,494,354	2,275,498	13,818,375	210,278
TOTAL UNRESTRICTED REVENUES	728,070,882	(6,325,044)	9,910,753	296,296,730	253,304,892	93,263,402	53,907,022	27,713,127
EXPENSES								
Salaries and wages	289,552,186	-	14,862,247	102,075,452	88,980,933	37,852,294	31,633,634	14,147,626
Employee benefits	56,784,529	-	2,590,920	19,395,531	16,424,784	8,872,108	7,151,338	2,349,848
Contract labor	29,689,255	(3,702,553)	558,093	13,422,571	13,167,837	2,484,152	2,601,636	1,157,519
Medical supplies	110,413,021	(242,726)	(7,480)	48,648,327	46,998,551	10,557,355	2,719,918	1,739,076
General and administrative	107,364,759	(849,221)	37,191,838	31,040,214	28,065,070	7,081,748	2,544,916	2,290,194
Building and maintenance	38,305,989	(1,530,544)	826,210	19,950,504	8,786,911	5,506,883	3,830,112	935,913
Insurance	1,606,359	-	49,213	559,500	516,332	191,686	223,838	65,790
Provision for uncollectible accounts	41,065,322	-	36,392	13,617,572	19,829,489	6,057,794	1,052,913	471,162
Interest	12,637,130	-	947,012	5,881,249	3,276,433	1,824,751	368,269	339,416
Depreciation and amortization	31,839,294	-	5,428,360	11,715,738	7,183,318	5,804,947	1,075,039	631,892
IT Depreciation	(301,041)	-	(4,475,335)	1,708,391	1,471,883	599,902	250,086	144,032
Allocation: Corp Services	(1,264,665)	-	(32,351,995)	12,967,629	12,292,998	3,091,375	1,217,414	1,517,914
Allocation: Shared Services MD	200	-	-	-	200	-	-	-
IT Services Allocation	(2,614,455)	-	(23,570,824)	8,582,536	7,214,269	2,734,548	1,689,054	735,962
TOTAL EXPENSES	715,077,883	(6,325,044)	2,084,651	289,565,214	254,209,008	92,659,543	56,358,167	26,526,344
INCOME (LOSS) FROM OPERATIONS	12,992,999	-	7,826,102	6,731,516	(904,116)	603,859	(2,451,145)	1,186,783
OTHER INCOME (EXPENSE)								
Investment loss	(18,499,661)	-	(6,660,573)	(4,297,904)	(1,533,814)	(4,339,368)	(1,252,516)	(415,486)
Other income (expense)	218,945	-	541,742	-	7,284	(330,081)	-	-
TOTAL OTHER EXPENSE	(18,280,716)	-	(6,118,831)	(4,297,904)	(1,526,530)	(4,669,449)	(1,252,516)	(415,486)
REVENUES (LESS THAN) IN EXCESS OF EXPENSES	(5,287,717)	-	1,707,271	2,433,612	(2,430,646)	(4,065,590)	(3,703,661)	771,297
Change in unrealized gains and losses on investments other than trading securities	(10,757,574)	-	(6,252,837)	(1,788,758)	(613,120)	(1,477,112)	(281,578)	(344,169)
Change in unrealized loss on derivative financial instrument	(17,552,352)	-	(17,552,352)	-	-	-	-	-
Transfer to unconsolidated subsidiaries	54,552	-	736,472	(296,918)	(240,979)	-	(111,160)	(32,863)
Net assets released from restriction for purchase of property and equipment	2,293,029	-	17,547	1,827,669	447,813	-	-	-
Other unrestricted net assets activity	13,175	-	-	-	-	329,920	(316,745)	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (31,236,887)	$ -	$ (21,343,899)	$ 2,175,605	$ (2,836,932)	$ (5,212,782)	$ (4,413,144)	$ 394,265

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC.
Obligated Group
Schedule of Combining Information, Statement of Cash Flows
For the Year Ended December 31, 2008

	Combined Adventist HealthCare, Inc.	Eliminating Entries	Support Center	Shady Grove Adventist Hospital	Washington Adventist Hospital	Hackettstown Regional Medical Center	Potomac Ridge	Adventist Rehabilitation Hospital of Maryland
CASH FLOWS FROM OPERATING ACTIVITIES								
(Decrease) increase in net assets	$ (30,652,272)	$ -	$ (21,321,445)	$ 2,275,169	$ (2,764,782)	$ (4,862,513)	$ (4,413,144)	$ 434,443
Adjustments to reconcile (decrease) increase in net assets to cash provided by (used in) operating activities:								
Depreciation and amortization	31,839,294	-	5,428,360	11,715,738	7,183,318	5,804,947	1,075,039	631,892
Provision for uncollectible accounts	41,065,322	-	36,392	13,617,572	19,829,489	6,057,794	1,052,913	471,162
Gain on sale of property and equipment	(5,097)	-	-	-	-	(5,097)	-	-
Restricted contributions and grants	(4,023,024)	-	(359,571)	(2,091,289)	(704,956)	(826,107)	-	(41,101)
Net organization transfer among affiliates	(37,578)		-	-	(37,578)	-	-	-
Earnings from investments and investments in unconsolidated subsidiaries	(3,482,302)	-	(3,004,224)	(478,078)	-	-	-	-
Amortization of bond discounts	9,790	-	-	-	9,790	-	-	-
Amortization of physician income guarantees	481,508		-	155,883	325,625	-	-	-
Noncash transfers to (from) affiliates	-	-	-	-	-	-	-	-
Cash transfers among affiliates	-	-	-	-	-	-	-	-
Change in unrealized losses (gains) on investments other than trading securities	11,367,777	5,184,756	6,252,837	(6,426)	(57,726)	-	(5,664)	-
Change in fair value of charitable remainder trusts and obligation to annuitants	224,318	-	224,318	-	-	-	-	-
Change in net unrealized gain on derivative financial instruments	18,695,514	-	18,695,514	-	-	-	-	-
Changes in assets and liabilities:								
Patient accounts receivable, net	(48,951,144)	-	55,783	(19,067,895)	(20,362,675)	(7,671,148)	91,851	(1,997,060)
Other receivables, net	251,741	-	2,548,740	(30,458)	(1,060,321)	(172,517)	(965,735)	(67,968)
Inventories, prepaid expenses and other current assets	(454,172)	-	(512,529)	384,006	167,730	(447,423)	(6,571)	(39,385)
Accounts payable and accrued expenses	(1,852,375)	-	2,824,982	(3,982,924)	(1,895,378)	1,199,255	445,498	(443,808)
Accrued compensation and related expenses	4,061,809	-	1,315,821	1,742,465	637,945	(297,608)	378,650	284,536
Interest payable	(327,711)	-	(327,711)	-	-	-	-	-
Estimated self-insured professional liability	2,634,705	-	2,634,705	-	-	-	-	-
Due to third party payors	1,787,026	-	-	(171,697)	393,270	769,851	829,690	(34,088)
Other noncurrent assets and liabilities	835,150	-	730,470	566,178	107,687	(650,035)	92,850	(32,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	23,468,279	5,184,756	15,222,442	4,628,244	1,771,438	(1,080,601)	(1,424,623)	(833,377)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of property and equipment	(48,560,422)	-	(4,995,282)	(35,047,059)	(4,782,980)	(3,012,586)	(452,327)	(270,188)
Payments to physicians under income guarantees	(100,228)	-	-	(69,477)	(30,751)	-	-	-
Decrease (increase) in investments (including investments in unconsolidated subsidiaries)	(2,642,927)	(5,184,756)	2,541,829	-	-	-	-	-
Net additions to land held for healthcare development	(8,489,978)	-	(2,294,523)	-	(6,195,455)	-	-	-
Proceeds from the sale of property and equipment	5,097	-	-	-	-	5,097	-	-
Receipt of distribution from unconsolidated subsidiaries	5,055,768	-	4,553,649	502,119	-	-	-	-
(Increase) decrease in trustee held funds / restricted cash	(7,072,479)	-	2,932,637	(5,583,010)	(3,613,893)	(390,435)	(477)	(417,301)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(61,805,169)	(5,184,756)	2,738,310	(40,197,427)	(14,623,079)	(3,397,924)	(452,804)	(687,489)
CASH FLOWS FROM FINANCING ACTIVITIES								
Payments of financing costs	(29,099)	-	-	(17,460)	(10,184)	-	-	(1,455)
Repayments of long-term obligations, net	(14,881,090)	-	(7,338,959)	(2,253,219)	(1,490,715)	(2,585,316)	(229,850)	(983,031)
Proceeds from issuance of long-term obligations, net	34,005,000	-	10,005,000	20,800,000	2,800,000	-	-	400,000
Transfer of debt among affiliates	-		(2,155,787)	1,275,787	880,000	-	-	-
Short-term financing	20,000,000	-	20,000,000	-	-	-	-	-
Proceeds from restricted contributions and grants	4,023,024	-	359,571	2,091,289	704,956	826,107	-	41,101
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	43,117,835	-	20,869,825	21,896,397	2,884,057	(1,759,209)	(229,850)	(543,385)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,780,945	-	38,830,577	(13,672,786)	(9,967,584)	(6,237,734)	(2,107,277)	(2,064,251)
CASH AND CASH EQUIVALENTS, BEGINNING	(3,559,917)	-	(99,235,191)	30,116,270	21,390,375	35,490,926	2,520,211	6,157,492
CASH AND CASH EQUIVALENTS, ENDING	$ 1,221,028	$ -	$ (60,404,614)	$ 16,443,484	$ 11,422,791	$ 29,253,192	$ 412,934	$ 4,093,241

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC.

Adventist Senior Living Services

Schedule of Consolidating Information, Balance Sheet

December 31, 2008

	Consolidated Adventist Senior Living Services	Eliminating Entries	Adventist Senior Living Services	Sligo Creek Adventist Nursing & Rehab Center, Inc.	Shady Grove Adventist Nursing & Rehab Center, Inc.	Bradford Oaks Adventist Nursing & Rehab Center, Inc.	Springbrook Adventist Nursing & Rehab Center, Inc.	Fairland Adventist Nursing & Rehab Center, Inc.	Adventist Dialysis Services
ASSETS									
CURRENT ASSETS:									
Cash, cash equivalents and investments	$ 14,554,491	$ -	$ (513,306)	$ 3,691,811	$ 3,464,724	$ 4,764,999	$ 1,850,005	$ 681,026	$ 615,232
Assets whose use is limited	98,090	-	-	-	-	-	98,090	-	-
Patient accounts receivable, net of estimated allowances of $3,065,000	8,536,150	-	30	1,313,401	1,680,232	2,860,446	1,035,892	1,562,222	83,927
Due from third party payors	-	(192,680)	-	-	192,680	-	-	-	-
Other receivables	13,528	-	-	3,449	2,914	4,336	1,703	577	549
Inventories	32,954	-	-	-	-	-	-	-	32,954
Prepaid expenses and other current assets	123,613	-	-	8,787	48,481	47,696	14,935	3,089	625
TOTAL CURRENT ASSETS	23,358,826	(192,680)	(513,276)	5,017,448	5,389,031	7,677,477	3,000,625	2,246,914	733,287
PROPERTY AND EQUIPMENT, Net	25,844,460	-	33,466	4,213,145	5,936,087	8,956,273	2,827,415	3,360,134	517,940
ASSETS WHOSE USE IS LIMITED UNDER TRUST INDENTURES, HELD BY TRUSTEES	2,287,624	-	-	763,003	617,403	449,743	457,475	-	-
INVESTMENTS AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	718,188	-	718,188	-	-	-	-	-	-
DEFERRED FINANCING COSTS, Net	1,301,312	-	-	226,730	382,600	540,886	151,096	-	-
DEPOSITS AND OTHER NONCURRENT ASSETS	9,065	-	9,065	-	-	-	-	-	-
TOTAL	$ 53,519,475	$ (192,680)	$ 247,443	$ 10,220,326	$ 12,325,121	$ 17,624,379	$ 6,436,611	$ 5,607,048	$ 1,251,227

ADVENTIST HEALTHCARE, INC.
Adventist Senior Living Services
Schedule of Consolidating Information, Balance Sheet
December 31, 2008

	Consolidated Adventist Senior Living Services	Eliminating Entries	Adventist Senior Living Services	Sligo Creek Adventist Nursing & Rehab Center, Inc.	Shady Grove Adventist Nursing & Rehab Center, Inc.	Bradford Oaks Adventist Nursing & Rehab Center, Inc.	Springbrook Adventist Nursing & Rehab Center, Inc.	Fairland Adventist Nursing & Rehab Center, Inc.	Adventist Dialysis Services
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Accounts payable and accrued expenses	$ 4,305,646	$ -	$ 133,167	$ 774,359	$ 887,210	$ 933,414	$ 490,048	$ 766,177	$ 321,271
Accrued compensation and related items	2,445,139	-	209,572	371,565	536,679	649,622	289,623	388,078	-
Interest payable	130,361	-	-	25,488	45,889	58,984	-	-	-
Due to third party payors	697,276	(192,680)	-	377,024	-	10,351	478,666	23,915	-
Current maturities of long-term obligations	597,688	-	-	87,002	154,349	201,337	155,000	-	-
TOTAL CURRENT LIABILITIES	8,176,110	(192,680)	342,739	1,635,438	1,624,127	1,853,708	1,413,337	1,178,170	321,271
LONG-TERM OBLIGATIONS, Net:									
Bonds payable	3,530,000	-	-	-	-	-	3,530,000	-	-
Notes payable	30,254,325	-	-	5,525,105	9,843,251	12,785,969	-	2,100,000	-
TOTAL LIABILITIES	41,960,435	(192,680)	342,739	7,160,543	11,467,378	14,639,677	4,943,337	3,278,170	321,271
UNRESTRICTED NET ASSETS	11,559,040	-	(95,296)	3,059,783	857,743	2,984,702	1,493,274	2,328,878	929,956
TOTAL	$ 53,519,475	$ (192,680)	$ 247,443	$ 10,220,326	$ 12,325,121	$ 17,624,379	$ 6,436,611	$ 5,607,048	$ 1,251,227

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC.

Adventist Senior Living Services

Schedule of Consolidating Information, Statement of Operations

December 31, 2008

	Consolidated Adventist Senior Living Services	Eliminating Entries	Adventist Senior Living Services	Sligo Creek Adventist Nursing & Rehab Center, Inc.	Shady Grove Adventist Nursing & Rehab Center, Inc.	Bradford Oaks Adventist Nursing & Rehab Center, Inc.	Springbrook Adventist Nursing & Rehab Center, Inc.	Fairland Adventist Nursing & Rehab Center, Inc.	Adventist Dialysis Services
UNRESTRICTED REVNUES									
Net patient service revenue	$ 57,953,292	$ -	$ -	$ 9,234,388	$ 13,123,589	$ 15,349,900	$ 7,740,259	$ 9,983,953	$ 2,521,203
Other revenue	1,581,148	(51,390)	970,466	3,928	20,256	41,421	54,642	541,825	-
TOTAL UNRESTRICTED REVENUES	59,534,440	(51,390)	970,466	9,238,316	13,143,845	15,391,321	7,794,901	10,525,778	2,521,203
EXPENSES									
Salaries and wages	27,466,021	-	2,637,732	3,796,020	5,848,849	7,186,537	3,530,916	4,465,967	-
Employee benefits	5,269,013	-	536,515	686,079	1,158,920	1,420,610	635,202	831,687	-
Contract labor	768,955	-	14,377	21,122	576,313	21,113	35,275	66,380	34,375
Medical supplies	6,765,905	-	-	947,180	1,637,469	1,344,790	811,572	1,471,339	553,555
General and administrative	6,887,362	-	383,026	1,086,500	695,910	1,453,160	764,214	1,635,980	868,572
Building and maintenance	2,245,949	(51,390)	179,495	255,482	616,246	502,130	321,806	357,308	64,872
Insurance	129,421	-	3,741	18,565	51,790	28,053	9,922	16,530	820
Provision for uncollectible accounts	1,993,480	-	-	349,299	83,236	844,432	53,855	473,568	189,090
Interest	1,872,365	-	-	241,603	581,826	826,612	146,809	75,515	-
Depreciation and Amortization	1,495,019	-	5,320	257,203	301,885	457,436	237,995	191,052	44,128
IT Depreciation	116,124	-	18,790	12,674	38,027	23,995	12,224	10,414	-
Allocation: IT Services	484,308	-	89,216	63,022	129,102	66,637	64,686	71,645	-
Allocation: Shared Services	-	-	-	-	-	-	-	-	-
AHC Management Fees	1,161,200	-	(2,063,121)	503,948	663,689	742,942	503,117	646,747	163,878
EXPENSES	56,655,122	(51,390)	1,805,091	8,238,697	12,383,262	14,918,447	7,127,593	10,314,132	1,919,290
INCOME (LOSS) FROM OPERATIONS	2,879,318	-	(834,625)	999,619	760,583	472,874	667,308	211,646	601,913
OTHER INCOME (LOSS)									
Investment loss	(2,053,301)	-	17,059	(529,824)	(474,305)	(720,094)	(248,357)	(40,486)	(57,294)
Other income	60,125	-	60,125	-	-	-	-	-	-
TOTAL OTHER (LOSS) INCOME	(1,993,176)	-	77,184	(529,824)	(474,305)	(720,094)	(248,357)	(40,486)	(57,294)
REVENUES IN EXCESS OF (LESS THAN) EXPENSES	886,142	-	(757,441)	469,795	286,278	(247,220)	418,951	171,160	544,619
Change in unrealized gains and losses on investments other than trading securities	(355,163)	-	(25,235)	(95,542)	(93,337)	(80,360)	(21,686)	(39,003)	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ 530,979	$ -	$ (782,676)	$ 374,253	$ 192,941	$ (327,580)	$ 397,265	$ 132,157	$ 544,619

See Notes to Consolidated Financial Statements

ADVENTIST HEALTHCARE, INC.
ADVENTIST SENIOR LIVING SERVICES
Schedule of Consolidating Information, Statement of Cash Flows
For the Year Ended December 31, 2008

	Combined Adventist Senior Living Services	Eliminating Entries	Adventist Senior Living	Sligo Creek Adventist Nursing & Rehabilitation Center, Inc.	Shady Grove Adventist Nursing & Rehabilitation Center, Inc.	Bradford Oaks Adventist Nursing & Rehabilitation Center, Inc.	Springbrook Adventist Nursing & Rehabilitation Center, Inc.	Fairland Adventist Nursing & Rehabilitation Center, Inc.	Dialysis
CASH FLOWS FROM OPERATING ACTIVITIES									
Increase (decrease) in net assets	$ 530,979	-	$ (782,676)	$ 374,253	$ 193,941	$ (327,580)	$ 397,265	$ 132,157	$ 544,619
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:									
Depreciation and amortization	1,495,019	-	5,320	257,203	301,885	457,436	237,995	191,052	44,128
Provision for uncollectible accounts	1,993,480	-	-	349,299	83,236	844,432	53,855	473,568	189,090
Change in unrealized losses (gains) on other than trading securities	260,639	-	-	95,542	93,337	80,360	(8,600)	-	-
Earnings from investments and investments in unconsolidated affiliates	(111,505)	-	(111,505)	-	-	-	-	-	-
Changes in assets and liabilities:									
Patient accounts receivable, net	(1,243,908)	-	(30)	(144,986)	(313,491)	(295,971)	(301,498)	(136,815)	(51,117)
Other receivables, net	96,564	-	78,792	17,774	622	266	(87)	(254)	(349)
Inventories, prepaid expenses and other current assets	(49,147)	-	622	(980)	(30,291)	(17,208)	(5,374)	4,709	(625)
Accounts payable and accrued expenses	345,057	-	(39,953)	100,213	41,913	40,540	56,698	126,509	19,137
Accrued compensation and related expenses	413,649	-	31,896	49,578	101,757	118,835	44,464	67,119	-
Interest payable	3,923	-	-	(375)	5,164	(866)	-	-	-
Due to third party payors	1,011,846	-	-	292,603	131,863	273,301	234,858	79,221	-
Other noncurrent assets and liabilities	(3,515)	-	(9,065)	-	-	-	-	5,350	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,743,081	-	(826,599)	1,390,124	608,936	1,173,545	709,576	942,816	744,683
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of property and equipment	(3,304,874)	-	(27,391)	(1,178,923)	(1,162,821)	(377,272)	(265,542)	(252,288)	(40,637)
Net decrease (increase) in trustee-held funds	(128,511)	-	-	319,863	(347,997)	(91,521)	(8,856)	-	-
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(3,433,385)	-	(27,391)	(859,060)	(1,510,818)	(468,793)	(274,398)	(252,288)	(40,637)
CASH FLOWS FROM FINANCING ACTIVITIES									
Proceeds from the issuance of long-term obligations	1,170,000	-	-	-	1,170,000	-	-	-	-
Payments of deferred financing costs	(93,023)	-	-	-	(93,023)	-	-	-	-
Repayments of long-term obligations, net	(557,484)	-	-	(82,399)	(139,404)	(190,681)	(145,000)	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	519,493	-	-	(82,399)	937,573	(190,681)	(145,000)	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,829,189	-	(853,990)	448,665	35,691	514,071	290,178	690,528	704,046
CASH AND CASH EQUIVALENTS, BEGINNING	12,725,302	-	340,684	3,243,146	3,429,033	4,250,928	1,559,827	(9,502)	(88,814)
CASH AND CASH EQUIVALENTS, ENDING	$ 14,554,491	$ -	$ (513,306)	$ 3,691,811	$ 3,464,724	$ 4,764,999	$ 1,850,005	$ 681,026	$ 615,232

See Notes to Consolidated Financial Statements

Adventist HealthCare, Inc.

Foundations

Schedule of Combining Information, Balance Sheet
December 31, 2008

	Combined Adventist HealthCare, Inc. Foundations	Eliminating Entries	Shady Grove Adventist Hospital Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Community Hospital Foundation, Inc.	Potomac Ridge Behavioral Health Foundation, Inc.
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 1,600,410		$ 949,559	$ 181,280	$ 68,492	$ 401,079
Current portion pledges receivable, less allowance for doubtful pledges of $4,000	60,992		-	55,700	-	5,292
Contributions receivable	207,512		207,512	-	-	-
Prepaid expenses	9,396		-	-	9,100	296
TOTAL CURRENT ASSETS	1,878,310		1,157,071	236,980	77,592	406,667
CASH AND CASH EQUIVALENTS HELD FOR CAPITAL ACQUISITIONS	112,051		-	112,051	-	-
INVESTMENTS	1,164,775		545,630	619,145	-	-
BENEFICIAL INTEREST IN TRUSTS	586,476		-	586,476	-	-
NONCURRENT PORTION OF PLEDGES RECEIVABLE, LESS ALLOWANCE FOR DOUBTFUL PLEDGES OF $8,000	2,697,847		2,111,081	-	586,766	-
OTHER ASSETS	2,000		-	2,000	-	-
TOTAL	$ 6,441,459	$ -	$ 3,813,782	$ 1,556,652	$ 664,358	$ 406,667
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 9,025		$ -	$ -	$ 9,025	$ -
OTHER LIABILITIES:						
Liability to charitable gift annuitants	83,915		83,915	-	-	-
TOTAL LIABILITIES	92,940		83,915	-	9,025	-
NET ASSETS:						
Unrestricted	1,601,009		1,287,987	172,258	33,233	107,531
Temporarily restricted	4,747,510		2,441,880	1,384,394	622,100	299,136
TOTAL NET ASSETS	6,348,519		3,729,867	1,556,652	655,333	406,667
TOTAL	$ 6,441,459	$ -	$ 3,813,782	$ 1,556,652	$ 664,358	$ 406,667

See Notes to Consolidated Financial Statements

Adventist HealthCare, Inc.
Foundations
Schedule of Combining Information, Statement of Operations
For the Year Ended December 31, 2008

	Combined Adventist HealthCare, Inc. Foundations	Eliminating Entries	Shady Grove Adventist Hospital Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Adventist Hospital Foundation, Inc.	Potomac Ridge Behavioral Health Foundation, Inc.
CHANGES IN UNRESTRICTED NET ASSETS:						
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:						
Contributions, net	$ 326,177		$ 93,434	$ 115,825	$ -	$ 116,918
Investment (loss) income	(133,580)		(176,058)	31,648	(8,013)	18,843
Net assets released from restrictions	2,669,665		2,040,212	624,770	-	4,683
TOTAL UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT	2,862,262		1,957,588	772,243	(8,013)	140,444
EXPENSES:						
General administrative expenses	272,695		108,755	101,326	-	62,614
In-kind gifts expended	53,782		6,971	46,811	-	-
TOTAL EXPENSES BEFORE TRANSFERS TO THE HOSPITALS	326,477		115,726	148,137	-	62,614
Transfers to the hospital	2,682,445		2,024,127	653,635	-	4,683
TOTAL EXPENSES	3,008,922		2,139,853	801,772	-	67,297
REVENUES (LESS THAN) IN EXCESS OF EXPENSES	(146,660)		(182,265)	(29,529)	(8,013)	73,147
Change in net unrealized (loss) gains on investments other than trading securities	42,733		45,254	1,094	-	(3,615)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(103,927)		(137,011)	(28,435)	(8,013)	69,532
UNRESTRICTED NET ASSETS, BEGINNING	1,704,936		1,424,998	200,693	41,246	37,999
UNRESTRICTED NET ASSETS, ENDING	$ 1,601,009	$ -	$ 1,287,987	$ 172,258	$ 33,233	$ 107,531
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:						
Contributions, net	$ 2,963,204		$ 2,353,969	$ 529,162	$ 15,561	$ 64,512
Change in value of beneficial interest in trusts	(125,062)		-	(125,062)	-	-
Change in discount of pledges receivable and provision for doubtful pledges	(982,622)		(979,828)	(2,794)	-	-
Investment income and unrealized gain on investments	(19,881)		(23,451)	-	-	3,570
Net assets released from restrictions	(2,669,665)		(2,040,212)	(624,770)	-	(4,683)
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(834,026)		(689,522)	(223,464)	15,561	63,399
TEMPORARILY RESTRICTED NET ASSETS, BEGINNING	5,581,536		3,131,402	1,607,858	606,539	235,737
TEMPORARILY RESTRICTED NET ASSETS, ENDING	$ 4,747,510	$ -	$ 2,441,880	$ 1,384,394	$ 622,100	$ 299,136

See Notes to Consolidated Financial Statements

Adventist HealthCare, Inc.
Foundations
Schedule of Combining Information, Statements of Cash Flows
For the Year Ended December 31, 2008

	Combined Adventist HealthCare, Inc. Foundations	Eliminating Entries	Shady Grove Adventist Hospital Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Hackettstown Adventist Hospital Foundation, Inc.	Potomac Ridge Behavioral Health Foundation, Inc.
Cash flows from operating activities:						
(Decrease) increase in net assets	$ (937,953)	$ -	$ (826,533)	$ (251,899)	$ 7,548	$ 132,931
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Contributions restricted for long-term purposes	(1,864,956)		(1,856,427)	(8,529)	-	-
Transfers to Hospitals	2,682,445		2,024,127	653,635	-	4,683
Provision for doubtful pledges	1,087,517		1,084,723	2,794	-	-
Net change in unrealized gains and losses on investments other than trading securities	(36,014)		(34,920)	(1,094)	-	-
Change in beneficial interest in trusts	125,062		-	125,062	-	-
Change in discount in pledges receivable	(104,895)		(104,895)	-	-	-
Change in assets and liabilities:	-					
Prepaid expense and other assets	23,093		-	(1,000)	4,750	19,343
Pledge receivable, net	(146,586)		(24,846)	5,856	(129,597)	2,001
Contributions receivable	(207,512)		(207,512)	-	-	-
Accounts payable and accrued expenses	(272)		-	-	(272)	
Liability to charitable gift annuitants	457		457	-	-	-
Net cash provided by (used in) operating activities	620,386		54,174	524,825	(117,571)	158,958
Cash flows from investing activities:						
Net decrease in investments	424,307		313,766	110,541	-	-
Net decrease in restricted cash	9,108		-	9,108	-	-
Transfers to Hospitals	(2,682,445)		(2,024,127)	(653,635)	-	(4,683)
Net cash used in investing activities	(2,249,030)		(1,710,361)	(533,986)	-	(4,683)
Cash flows provided by financing activities:						
Contributions restricted for long-term purposes	1,864,956		1,856,427	8,529	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	236,312		200,240	(632)	(117,571)	154,275
CASH AND CASH EQUIVALENTS, BEGINNIING	1,364,098		749,319	181,912	186,063	246,804
CASH AND CASH EQUIVALENTS, ENDING	$ 1,600,410	$ -	$ 949,559	$ 181,280	$ 68,492	$ 401,079

See Notes to Consolidated Financial Statements

Attachment 12

AHC Summary of cash flows

ADVENTIST HEALTHCARE INC.
Summary of Cash Flows Projection
2009 to 2012

	Consolidated	WAH	Clarksburg	Fairland	Rivermont	SGAH	ASLS	Others
Revenue in excess of (less than) expenses	$ 148,118	$ 36,734	$ (875)	$ -	$ (701)	$ 56,206	$ 14,063	$ 42,691
Adjustments:								
Depreciation and amortization	151,188	33,004	-	-	622	53,493	8,725	55,344
Changes in working capital	9,092	(3,343)	-	3,301	2,175	8,581	(615)	(1,007)
Others	4,057	589	-	(200)	-	1,999	38	1,631
Net cash provided by operating activities	312,455	66,984	(875)	3,101	2,096	120,279	22,211	98,659
Cash flows from investing activities:								
Additions to property, plant and equipment	(818,813)	(449,766)	(161,179)	(36,352)	(32,152)	(41,175)	(11,649)	(86,540)
Contribution from foundation and grant	43,139	28,139	15,000	-	-	-	-	-
Change in trustee held investments	(48,782)	(31,966)	(12,076)	(3,300)	(1,440)	-	-	-
Net cash provided by (used in) investing activities	(824,456)	(453,593)	(158,255)	(39,652)	(33,592)	(41,175)	(11,649)	(86,540)
Cash flows from financing activities:								
Repayments of long term debt principal	(76,605)	(14,358)	-	-	-	(14,953)	(2,605)	(44,689)
Proceeds from issuance of long term debt	639,867	415,540	159,135	34,042	29,000	2,000	-	150
Payments of issuance costs	(36,289)	(23,968)	(8,900)	(1,273)	(2,148)	-	-	-
Capital/loan from investors/AHC	-	36,656	28,020	3,782	5,300	-	(9,082)	(64,676)
Net cash provided by (used in) financing activities	526,973	413,870	178,255	36,551	32,152	(12,953)	(11,687)	(109,215)
Net increase in cash and cash equivalents	14,972	27,261	19,125	-	656	66,151	(1,125)	(97,096)
Cash and cash equivalent at beginning of year	153,788	9,312	-	-	-	15,598	14,556	114,322
Cash and cash equivalent at end of year	$ 168,760	$ 36,573	$ 19,125	$ -	$ 656	$ 81,749	$ 13,431	$ 17,226

Attachment 13

Market Share shifts FY2008

Forecasted Utilization of CCH Hospital and Impact on
Other Maryland Hospitals: CCH PSA

MSGA CCH PSA

Hospital	FY 2008	Market Share	FY 2016	Market Share
CCH	0	0.0%	0	0.0%
SGAH	3,326	48.1%	4,015	48.1%
FMH	1,153	16.7%	1,392	16.7%
HX	321	4.6%	387	4.6%
SH	589	8.5%	711	8.5%
MGH	625	9.0%	754	9.0%
WAH	237	3.4%	286	3.4%
CCGH	22	0.3%	27	0.3%
Other Md.	640	9.3%	773	9.3%
TOTAL	6,913	100.0%	8,345	100.0%
			8,345	

Forecasted Utilization of CCH Hospital and Impact on
Other Maryland Hospitals: CCH PSA

MSGA CCH PSA

Hospital	FY 2008	Market Share	FY 2016	Market Share	% change
CCH	4,014	58.1%	4,844	58.0%	17.13%
SGAH	1,510	21.8%	1,824	21.9%	17.21%
FMH	315	4.6%	382	4.6%	17.54%
HX	142	2.1%	172	2.1%	17.44%
SH	262	3.8%	317	3.8%	17.35%
MGH	310	4.5%	374	4.5%	17.11%
WAH	100	1.4%	121	1.4%	17.36%
CCGH	7	0.1%	8	0.1%	12.50%
Other Md.	253	3.7%	303	3.6%	16.50%
TOTAL	6,913	100.0%	8,345	100.0%	17.16%

Forecasted Utilization of CCH Hospital and Impact on
Other Maryland Hospitals: CCH PSA

MSGA

Hospital	NO CCH	CCH	(Loss/Gain)	% change
CCH	0	4,844	4,844	
SGAH	4,015	1,824	-2,191	-54.57%
FMH	1,392	382	-1,010	-72.55%
HX	387	172	-215	-55.61%
SH	711	317	-394	-55.42%
MGH	754	374	-380	-50.43%
WAH	286	121	-165	
CCGH	27	8	-19	-69.88%
Other Md.	773	303	-470	-60.78%
TOTAL	8,345	8,345	0	0.00%

Forecasted Utilization of CCH Hospital and Impact on Other Maryland Hospitals: CCH PSA

OB CCH PSA

Hospital	FY 2008	Market Share	FY 2016	Market Share
CCH	0	0.0%	0	0.0%
SGAH	1,336	56.0%	1,383	56.0%
FMH	204	8.5%	211	8.5%
HX	613	25.7%	635	25.7%
SH	1	0.0%	1	0.0%
MGH	151	6.3%	156	6.3%
WAH	35	1.5%	37	1.5%
CCGH	4	0.2%	4	0.2%
Other Md.	42	1.8%	44	1.8%
TOTAL	2,386	100.0%	2,471	100.0%
			2,471	

Forecasted Utilization of CCH Hospital and Impact on Other Maryland Hospitals: CCH PSA

OB

Hospital	FY 2008	Market Share	FY 2016	Market Share	% change
CCH	1,216	51.0%	1,262	51.1%	3.65%
SGAH	673	28.2%	695	8.3%	3.17%
FMH	73	3.1%	75	0.9%	2.67%
HX	306	12.8%	316	3.8%	3.16%
SH	1	0.0%	1	0.0%	0.00%
MGH	78	3.3%	81	1.0%	3.70%
WAH	19	0.8%	20	0.2%	5.00%
CCGH	1	0.0%	1	0.0%	0.00%
Other Md.	19	0.8%	20	0.2%	5.00%
TOTAL	2,386	100.0%	2,471	29.6%	3.44%

Forecasted Utilization of CCH Hospital and Impact on Other Maryland Hospitals: CCH PSA

OB

Hospital	NO CCH	CCH	(Loss/Gain)	% change
CCH	0	1,262	1,262	
SGAH	1,383	695	-688	-49.75%
FMH	211	75	-136	-64.45%
HX	635	316	-319	-50.24%
SH	1	1	0	0.00%
MGH	156	81	-75	-48.08%
WAH	37	20	-17	
CCGH	4	1	-3	-75.00%
Other Md.	44	20	-24	-54.55%
TOTAL	2,471	2,471	0	0.00%

Attachment 14

Impact on MSGA & OB

Medsurg
FY 2008 Discharges

PSA Zipcodes	CCH	SGAH	FMH	HX	SH	MGH	WAH	CCGH	Subtotal	Other MD	MD Total
20838	0	11	7		3				21	2	23
20839	0	13	-	1	7		6		27	4	31
20841	0	227	9	14	32	5	12		299	22	321
20842	0	58	28	2	14		8		110	12	122
20871	0	182	43	25	39	24	17	2	332	38	370
20872	0	278	56	22	44	165	29	4	598	65	663
20874	0	1,549	17	129	253	89	87		2,124	150	2,274
20876	0	560	7	64	75	50	31	1	788	66	854
20882	0	273	8	33	62	252	20	2	650	73	723
21704	0	51	389	8	19	8	13	5	493	76	569
21710	0	16	241	4	8	1	4		274	37	311
21754	0	56	169	9	15	5	4	4	262	46	308
21770	0	52	179	10	18	26	6	4	295	49	344
Grand Total	**-**	**3,326**	**1,153**	**321**	**589**	**625**	**237**	**22**	**6,273**	**640**	**6,913**

Obstetrics
FY 2008 Discharges

PSA Zipcodes	CCH	SGAH	FMH	HX	SH	MGH	WAH	CCGH	Subtotal	Other MD	MD Total
20838	0	2	-						2	-	2
20839	0	3	-						3	-	3
20841	0	83	2	42		3	1		131	3	134
20842	0	8	2	1			1		12	-	12
20871	0	132	10	55		5			202	4	206
20872	0	85	22	41		23	4		175	5	180
20874	0	636	5	279	1	56	20		997	11	1,008
20876	0	237	1	146		30	8		422	4	426
20882	0	68	2	14		20	1		105	4	109
21704	0	48	91	26		5			170	4	174
21710	0	15	29	2				2	48	3	51
21754	0	13	26	3		7		2	51	2	53
21770	0	6	14	4		2			26	2	28
Grand Total	**-**	**1,336**	**204**	**613**	**1**	**151**	**35**	**4**	**2,344**	**42**	**2,386**

Medsurg
FY 2008 Discharges

Market Share	Total	CCH	Total	SGAH	FMH	HX	SH	MGH	WAH	CCGH	Subtotal	Other MD	MD Total
70.00%	30.00%	16	7	48%	30%	0%	13%	0%	0%	0%	91%	9%	100%
70.00%	30.00%	22	9	42%	0%	3%	23%	0%	19%	0%	87%	13%	100%
70.00%	30.00%	225	96	71%	3%	4%	10%	2%	4%	0%	93%	7%	100%
70.00%	30.00%	85	37	48%	23%	2%	11%	0%	7%	0%	90%	10%	100%
90.00%	10.00%	333	37	49%	12%	7%	11%	6%	5%	1%	90%	10%	100%
70.00%	30.00%	464	199	42%	8%	3%	7%	25%	4%	1%	90%	10%	100%
45.00%	55.00%	1,023	1,251	68%	1%	6%	11%	4%	4%	0%	93%	7%	100%
60.00%	40.00%	512	342	66%	1%	7%	9%	6%	4%	0%	92%	8%	100%
30.00%	70.00%	217	506	38%	1%	5%	9%	35%	3%	0%	90%	10%	100%
70.00%	30.00%	398	171	9%	68%	1%	3%	1%	2%	1%	87%	13%	100%
75.00%	25.00%	233	78	5%	77%	1%	3%	0%	1%	0%	88%	12%	100%
75.00%	25.00%	231	77	18%	55%	3%	5%	2%	1%	1%	85%	15%	100%
75.00%	25.00%	258	86	15%	52%	3%	5%	8%	2%	1%	86%	14%	100%
		4,018	**2,895**	**48%**	**17%**	**5%**	**9%**	**9%**	**3%**	**0%**	**91%**	**9%**	**100%**

Obstetrics
FY 2008 Discharges

Market Share	Total	CCH	Total	SGAH	FMH	HX	SH	MGH	WAH	CCGH	Subtotal	Other MD	MD Total
65.00%	35.00%	1.30	0.70	100%	0%	0%	0%	0%	0%	0%	100%	0%	100%
65.00%	35.00%	1.95	1.05	100%	0%	0%	0%	0%	0%	0%	100%	0%	100%
65.00%	35.00%	87.10	46.90	62%	1%	31%	0%	2%	1%	0%	98%	2%	100%
65.00%	35.00%	7.80	4.20	67%	17%	8%	0%	0%	8%	0%	100%	0%	100%
75.00%	25.00%	154.50	51.50	64%	5%	27%	0%	2%	0%	0%	98%	2%	100%
65.00%	35.00%	117.00	63.00	47%	12%	23%	0%	13%	2%	0%	97%	3%	100%
40.00%	60.00%	403.20	604.80	63%	0%	28%	0%	6%	2%	0%	99%	1%	100%
50.00%	50.00%	213.00	213.00	56%	0%	34%	0%	7%	2%	0%	99%	1%	100%
30.00%	70.00%	32.70	76.30	62%	2%	13%	0%	18%	1%	0%	96%	4%	100%
65.00%	35.00%	113.10	60.90	28%	52%	15%	0%	3%	0%	0%	98%	2%	100%
65.00%	35.00%	33.15	17.85	29%	57%	4%	0%	0%	0%	4%	94%	6%	100%
65.00%	35.00%	34.45	18.55	25%	49%	6%	0%	13%	0%	4%	96%	4%	100%
60.00%	40.00%	16.80	11.20	21%	50%	14%	0%	7%	0%	0%	93%	7%	100%
		1,216	**1,170**	**56%**	**9%**	**26%**	**0%**	**6%**	**1%**	**0%**	**98%**	**2%**	**100%**

Medsurg
FY 2008 Discharges

CCH	SGAH	FMH	HX	SH	MGH	WAH	CCGH	Subtotal	Other MD	MD Total
16	3	2	-	1	-	-	-	6	1	23
22	4	-	0	2	-	2	-	8	1	31
225	68	3	4	10	2	4	-	90	7	321
85	17	8	1	4	-	2	-	33	4	122
333	18	4	3	4	2	2	0	33	4	370
464	83	17	7	13	50	9	1	179	20	663
1,023	852	9	71	139	49	48	-	1,168	83	2,274
512	224	3	26	30	20	12	0	315	26	854
217	191	6	23	43	176	14	1	455	51	723
398	15	117	2	6	2	4	2	148	23	569
233	4	60	1	2	0	1	-	69	9	311
231	14	42	2	4	1	1	1	66	12	308
258	13	45	3	5	7	2	1	74	12	344
4,018	**1,508**	**316**	**142**	**262**	**309**	**100**	**7**	**2,644**	**251**	**6,913**

Obstetrics
FY 2008 Discharges

New Hospital	SGAH	FMH	HX	SH	MGH	WAH	CCGH	Subtotal	Other MD	MD Total
1	1	-	-	-	-	-	-	1	-	2
2	1	-	-	-	-	-	-	1	-	3
87	29	1	15	-	1	0	-	46	1	134
8	3	1	0	-	-	0	-	4	-	12
155	33	3	14	-	1	-	-	51	1	206
117	30	8	14	-	8	1	-	61	2	180
403	382	3	167	1	34	12	-	598	7	1,008
213	119	1	73	-	15	4	-	211	2	426
33	48	1	10	-	14	1	-	74	3	109
113	17	32	9	-	2	-	-	60	1	174
33	5	10	1	-	-	-	1	17	1	51
34	5	9	1	-	2	-	1	18	1	53
17	2	6	2	-	1	-	-	10	1	28
1,216	**673**	**73**	**306**	**1**	**78**	**19**	**1**	**1,151**	**19**	**2,386**